

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

FIRST-CLASS MAIL AND PERIODICALS  
SERVICE STANDARD CHANGES, 2021

Docket No. N2021-1

**NOTICE OF DESIGNATED MATERIALS FOR  
UNITED STATES POSTAL SERVICE WITNESS STEVEN MONTEITH**  
(June 7, 2021)

Pursuant to the Presiding Officer's Ruling No. N2021-1/11 (May 25, 2021), the United States Postal Service hereby provides this Notice of filing designated materials for United States Postal Service witness Steven Monteith. As required by the ruling, attached to this Notice are: (i) the testimony of witness Monteith (with corrections highlighted); (ii) an index of library references sponsored by witness Monteith; and (iii) the designated responses of witness Monteith (with corrections highlighted) in alphabetical order by party name and by numerical order of request.

Respectfully submitted,

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**DIRECT TESTIMONY OF  
STEVEN W. MONTEITH  
ON BEHALF OF THE  
UNITED STATES POSTAL SERVICE**

**(USPS-T-4)**

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## **AUTOBIOGRAPHICAL SKETCH**

As Chief Customer & Marketing Officer and Executive Vice President for the United States Postal Service, I am responsible for all corporate strategies and initiatives to increase revenue and contribution and to improve the experience of all customers from individuals and small businesses, to large corporations and commercial mailers. Currently, the Customer and Marketing Office encompasses Customer Experience, Global Business, Marketing, Product Solutions, and Sales.

I began my career with the Postal Service in 1989 as an intern. Since that time, I have held many leadership roles within the Postal Service including vice president of marketing, product management executive director, pricing manager, and transactions and correspondence manager.

I hold a Master of Business Administration degree in marketing from the University of Maryland and a Bachelor's degree in economics from Columbia University.



## EXECUTIVE SUMMARY

**Background:** The Postal Service’s annual mail volumes have been declining over the last decade and are expected to continue to decline.<sup>1</sup> Declining volumes have had a major effect on the Postal Service’s profitability due to the high fixed costs intrinsic to a network industry such as postal services. The requirements of the universal service obligation—such as delivery and collection six days a week—limit the Postal Service’s ability to control these fixed costs.<sup>2</sup> As described by witness Whiteman (USPS-T-2), these and other constraints limit the Postal Service’s ability to raise revenues and reduce costs.<sup>3</sup> The nature of the financial challenges that we face necessitates that the Postal Service manage costs within our control.

Additionally, our current ability to deliver mail within existing service standards leaves significant room for improvement.<sup>4</sup> As noted by witness Cintron (USPS-T-1), we have not consistently met our goals for meeting service standards.<sup>5</sup> This highlights our need to make service standards and operational changes to improve our service capability.

Accordingly, we recommend changes to the service standards for a portion of First-Class Mail (“FCM”), which will leave 61 percent of FCM mail volume unaffected by

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<sup>1</sup> USPS Postal Facts, “A Decade of Facts & Figures,” (<https://facts.usps.com/table-facts/>); USPS Fiscal Year 2021 Integrated Financial Plan, Nov. 24, 2020, p. 3 (<https://www.prc.gov/dockets/document/115156>) (hereinafter “FY 2020 Integrated Financial Plan”).

<sup>2</sup> Direct Testimony of Curtis C. Whiteman on Behalf of the United States Postal Service (USPS-T-2), PRC Docket No. N2021-1 (Apr. 21, 2021), at p. 1 (hereinafter “Whiteman Direct Testimony”).

<sup>3</sup> *Id.* (Whiteman Direct Testimony)

<sup>4</sup> Direct Testimony of Robert Cintron on Behalf of the United States Postal Service (USPS-T-1), PRC Docket No., N2021-1 (Apr. 21, 2021), at p. 4 (hereinafter “Cintron Direct Testimony”).

<sup>5</sup> *Id.* at pp. 5-7.

1 the proposed service-standard changes.<sup>6</sup> We are also proposing changes to  
2 end-to-end Periodicals' service standards. End-to-end Periodicals is a small subset of  
3 total Periodicals volume. These changes will impact only a portion of end-to-end  
4 Periodicals volumes. Accordingly, 81 percent of end-to-end Periodicals volume (or, 93  
5 percent of total Periodicals volume) will be unaffected by the proposed service-standard  
6 changes.<sup>7</sup>

7 These proposed changes will enable the Postal Service to make network  
8 operational changes that reduce costs and improve transportation efficiency, while  
9 enhancing the reliability of the service we provide. My testimony describes how  
10 customers are likely to respond to the proposed service-standard changes and  
11 contextualizes the forecasted financial impact of those changes. It also details the  
12 strategies that we have undertaken to effectively inform the general public and postal  
13 stakeholders of the proposed service-standards and operational changes and to solicit  
14 feedback.

15 **Changing Use of Mail:** Customers' needs for postal services are changing  
16 rapidly. FCM mail pieces are steadily decreasing while the number of packages is  
17 increasing rapidly, and the rate of change is likely to accelerate.<sup>8</sup> These lost volumes  
18 are largely due to advancements in technology driving changing consumer behavior,

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<sup>6</sup> Direct Testimony of Stephen B. Hagenstein on Behalf of the United States Postal Service (USPS-T-3), PRC Docket No., N2021-1 (Apr. 21, 2021), at Library Reference (LR-N2021-1-3: Model Results) (hereinafter "Hagenstein Direct Testimony").

<sup>7</sup> *Id.*

<sup>8</sup> USPS FY 2020 Annual Report, pp. 2, 45 (<https://about.usps.com/what/financials/annual-reports/fy2020.pdf>) (hereinafter "FY 2020 Annual Report").

1 which resulted in a significant shift of mail volume to digital communications.<sup>9</sup> From  
2 FY 2011 to FY 2020, FCM declined by 31 billion mail pieces due to electronic  
3 diversion.<sup>10</sup> This trend has been exacerbated by the impact of the COVID-19  
4 pandemic.<sup>11</sup>

5 Periodicals<sup>12</sup> have declined every year since 1990 driven by a declining  
6 readership due to shifts to digital and internet-based alternatives<sup>13</sup> enabling rapid  
7 access to information and news. This is also true for end-to-end Periodicals, which are  
8 those Periodicals that the Postal Service processes through its entire network.

9 End-to-end Periodicals volume has declined by 20 percent from FY 2015 to FY 2019.

10 In the past, customers primarily used the Postal Service to send their written  
11 communications and information. Financial institutions, insurance companies, utility  
12 companies, and other entities mostly relied on the Postal Service to send and receive  
13 transactional mail to and from households. Customers also used the Postal Service to  
14 deliver daily newspapers and weekly, monthly, and quarterly magazines, publications,  
15 and journals to businesses and households.

16 Today, more consumers and businesses demand instantaneous correspondence  
17 and information and rely on electronic sources to meet those needs.<sup>14</sup> This stands in

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<sup>9</sup> USPS FY 2020 10-K, pp. 25-26 (<https://about.usps.com/what/financials/10k-reports/fy2020.pdf>) (hereinafter "FY 2020 10-K").

<sup>10</sup> Direct Testimony of Thomas E. Thress on Behalf of the United States Postal Service (USPS-T-5), PRC Docket No. N2021-1 (Apr. 21, 2021), at p. 22 (hereinafter "Thress Direct Testimony").

<sup>11</sup> FY 2020 10-K at p. 26.

<sup>12</sup> Periodicals are magazines, newspapers, and other publications that have a required frequency.

<sup>13</sup> USPS FY 2019 Household Diary Study, Mar. 2020, p. 2. ([https://www.prc.gov/docs/113/113300/2019%20Household%20Diary%20Study\\_Final.pdf](https://www.prc.gov/docs/113/113300/2019%20Household%20Diary%20Study_Final.pdf)) (hereinafter "FY 2019 HDS").

<sup>14</sup> *Id.* at p. 1; USPS Strategic Transformation Plan, 2005, pp. 7-8 (<https://about.usps.com/strategic-planning/stp2006-2010.pdf>).

1 sharp contrast to the past. As an example, households previously flooded the Postal  
2 Service with calls if their TV Guide—a publication listing all the televisions shows to be  
3 broadcast that week by date and time—did not arrive on time. Now, consumers who  
4 would have relied on hard copies of TV Guide find their favorite shows' broadcast time  
5 instantly on the internet using computers, mobile devices or their digital cable service, or  
6 simply watch their favorite television shows at a later time using their on-demand or  
7 DVR features.

8 Consumers' needs for transactional mail has also changed. Consumers have  
9 been increasingly accepting bills and statements electronically, often on their mobile  
10 devices.<sup>15</sup> Due to technological advancements, more businesses are offering their  
11 customers online payment options, and businesses are encouraging customers to  
12 embrace these options through financial incentives and penalties.<sup>16</sup>

13 While consumers' and businesses' needs and market dynamics have rapidly  
14 changed, there are still aspects of postal services that continue to have value and are  
15 relied on. The Postal Service and the Postal Service's Office of Inspector General  
16 ("OIG") have found that consumers generally trust physical bills and statements  
17 received by mail, and those physical documents served as a recordkeeping tool and a  
18 reminder to pay to many consumers.<sup>17</sup> Surveys conducted during the COVID-19

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<sup>15</sup> FY 2019 HDS at pp. 25, 29.

<sup>16</sup> See USPS Office of Inspector General, RARC-WP-18-007, *Transactional Mail: Implications for the Postal Service* (Apr. 16, 2018), p. 13 (<https://www.uspsoidg.gov/sites/default/files/document-library-files/2019/RARC-WP-18-007.pdf>) (hereinafter "Transactional Mail OIG Report"); Greg Iacurci, *Electronic Payments Usage is Up, But Comes with Privacy Issues for Consumers*, CNBC (Jan. 15, 2020) (<https://www.cnbc.com/2020/01/15/digital-payments-usage-is-up-but-comes-with-consumer-privacy-issues.html>); Herb Weisbaum, *Switching to Digital Billing Statements? Here's What You Need to Know*, NBC News (Jan. 23, 2019), (<https://www.nbcnews.com/better/lifestyle/switching-digital-billing-statements-here-s-what-you-need-know-ncna961176>).

<sup>17</sup> FY 2019 HDS at p. 33; Transactional Mail OIG Report at pp. 7, 14.

1 pandemic found that consumers especially valued the tactile connection from physical  
2 mail.<sup>18</sup>

3         These demand factors and trends provide the necessary context in  
4 understanding how demand is likely to respond to adding additional days to a small  
5 portion of the FCM and end-to-end Periodicals service standards.

6             **Summary of the Impact of Proposed Service Standard Changes:** To

7 understand whether, and to what extent, the proposed service standard changes will  
8 impact volume for FCM and Periodicals,<sup>19</sup> the Postal Service hired Thomas E. Thress of  
9 RCF Economic and Financial Consulting, Inc. to conduct an analysis of historical data to  
10 evaluate the relationship between mail volume for FCM and Periodicals and changes in  
11 delivery time.<sup>20</sup> The underlying assumption for this analysis was that the proposed  
12 service standard changes would result in increased delivery times for a portion of FCM  
13 and Periodicals.

14         For both FCM and Periodicals, witness Thress found that electronic diversion,  
15 not increased delivery times, is primarily responsible for the decline in mail volume.

16 Using the historical analysis, Thress also estimated the impact of the Postal Service's

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<sup>18</sup> See USPS Market Research & Insights, COVID Mail Attitudes: Understanding & Impact, Nov. 2020, slides 3, 5-6 (hereinafter "COVID Mail Attitudes"). Please find relevant excerpts of COVID Mail Attitudes at Attachment One.

<sup>19</sup> Witness Thress first evaluated whether a relationship exists between changes in delivery times and end-to-end Periodicals given that the proposed service standard changes impact only end-to-end Periodicals. This analysis did not produce statistically meaningful results, so Thress used all Periodicals volume in lieu of end-to-end Periodicals volume.

<sup>20</sup> See Thress Direct Testimony. Neither the Postal Service nor witness Thress estimated the impact of the proposed service standard changes on Marketing Mail's volumes, revenue, and contribution. At the most, 0.2% of all Marketing Mail volume may be impacted by these proposed service standard changes; however, it is anticipated that this volume will continue to meet the current Marketing Mail service standards. Hagenstein Direct Testimony at Library Reference (LR-N2021-1-3: Model Results).

proposed service standard changes on FCM and Periodicals contribution. Those conclusions are discussed in further detail below and summarized in the table below:

**Table 1: Estimated Financial Impact of Proposed Service-Standard Changes**

	Contribution
<b>FCM</b>	-\$110.9 million
<b>Periodicals</b>	\$0.8 million
<b>Net Impact</b>	-\$110.1 million

Further, the proposed changes are unlikely to have a meaningful impact on customer satisfaction. Rather, we anticipate that the proposed changes may improve our customer satisfaction scores and mitigate financial impacts by better aligning our operational capabilities with service standards, leading to increased service reliability. This will in turn help us manage customers' expectations as to delivery times and improve our ability to consistently meeting those expectations.

**Communications Plan:** The communications plan is a critical component of the proposed service standard changes. It enables the Postal Service to develop and implement the initiative in consultation with the general public and postal stakeholders. These partnerships are necessary to ensure the success of the initiative. To effectuate the strategies underlying the communications plan, we disseminated information tailored for the general public and postal stakeholders through established communication channels. We also provided forums for those target audiences to ask questions and give feedback. Through these strategies, we were able to partner with the general public and postal stakeholders on this initiative and will continue this partnership through implementation.

1 Overall, the proposed service standard changes are anticipated to have a  
2 nominal impact on FCM and Periodical contribution (which have been subjected to  
3 years-long declines due to electronic diversion). More broadly, the changes result in a  
4 realignment of the network that allows the us to be more reliable, a key driver of  
5 satisfaction for customers.

## 6 **I. BACKGROUND**

### 7 **A. Definitions of First-Class Mail and Periodicals**

8 The proposed service standard changes will impact a portion of FCM and  
9 end-to-end Periodicals. FCM includes correspondence and transactional mail, such as  
10 personal letters, greeting cards, bills and statements, and payment of bills. It consists of  
11 Single-Piece and Presorted letters, cards,<sup>21</sup> and flats<sup>22</sup> destined for either domestic or  
12 international inbound or outbound delivery. FCM mail pieces account for 41 percent of  
13 mail flow today and is a vital aspect of American life.<sup>23</sup>

14 Single-Piece FCM refers to a subset of FCM that does not have any sortation or  
15 minimum piece requirement; this product is available to the public and commercial  
16 mailers. Single-Piece FCM is comprised primarily of correspondence, payments, and  
17 bills and statements, mailed by both consumers and businesses. In contrast, Presort is  
18 a discounted postage category that is available only for mailings with at least 500 pieces  
19 that also meets presortation and other mail preparation requirements. Presort mail

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<sup>21</sup> A card is a letter-sized mail piece of cardstock without an envelope, defined by its dimensions and physical construction. An example of a card is a postcard.

<sup>22</sup> The Postal Service uses the word “flats” to refer to large envelopes or flat-sized mail.

<sup>23</sup> FY 2020 Annual Report at p. 24.

pieces mostly consist of bills and statements, correspondence, and advertising and represent the largest share of mail received by households.

Periodicals is a mail class consisting of newspapers, magazines, journals, and newsletters that are issued at regular, specified intervals to subscribers. Mailers must receive prior Postal Service authorization to send mail at the “Periodicals” rate. This mail class accounts for 3.1 percent of all USPS mail volume.<sup>24</sup>

End-to-end Periodicals is a subset of all Periodicals. End-to-end Periodicals utilize the entire Postal Service network, as opposed to “destination-entered” mail that bypasses most of the Postal Service’s processing network for entry at a postal facility closer to the mail’s final destination. An example of an end-to-end Periodical is *Collegiate Baseball* Newspaper, which is published twice a month from January to May and once in June, July, September, and October for a total of 14 issues per year. In Fiscal Year 2019, end-to-end Periodicals represented around 23.2 percent of all Periodicals volume and less than 1 percent of all mail volume.<sup>25</sup> End-to-end Periodicals are the only Periodicals affected by the proposed service-standard change.

## **B. Trends in Mail Volume**

**First Class:** FCM volume continues to decline, with decreases of 3.6 percent in 2018, 3.1 percent in FY 2019, and 4.2 percent in FY 2020, due primarily to the continuing migration toward electronic communication and transaction alternatives.<sup>26</sup> For FY 2021, which began October 1, 2020, the Postal Service projects a 5.7 percent

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<sup>24</sup> *Id.*

<sup>25</sup> *Id.* at p. 25.

<sup>26</sup> FY 2020 10-K at p. 26.



1 decline in FCM volume.<sup>27</sup> Single-Piece volumes are expected to decline more rapidly  
2 than Presort volumes. The FY 2021 forecast reflects the ongoing migration of  
3 communications and transactions out of FCM into electronic mediums, as well as the  
4 loss of unique situations that bolstered FCM volumes in FY 2020, such as census  
5 surveys.<sup>28</sup>

6 **Periodicals:** Periodicals volume decreased by 13.6 percent in FY 2020 and 7.2  
7 percent in FY 2019.<sup>29</sup> The Postal Service forecasts a continuing decline, by 0.4 billion  
8 pieces or approximately 10 percent, in FY 2021.<sup>30</sup> End-to-end periodical volume is also  
9 declining; it declined by 20 percent from FY 2015 to FY 2019.

#### 10 **C. Electronic Substitution Is Decreasing First-Class Mail Volume**

11 A key driver of declining mail volumes is the increasing use of digital  
12 communications alternatives via the internet and mobile phones.<sup>31</sup> Businesses  
13 increasingly offer “paperless” billing, sometimes offering customers an incentive to  
14 receive electronic bills.<sup>32</sup> On the other side of the transaction, consumers more  
15 frequently pay bills online instead of sending checks via the mail.<sup>33</sup> FCM advertisers  
16 are also increasingly switching from physical to Internet and mobile delivery

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<sup>27</sup> FY 2020 Integrated Financial Plan at p. 4.

<sup>28</sup> *Id.*

<sup>29</sup> FY 2020 10-K at p. 30.

<sup>30</sup> FY 2021 Integrated Financial Plan at p. 4.

<sup>31</sup> Thress Direct Testimony at p. 22; FY 2019 HDS at p. 13.

<sup>32</sup> Nasdaq, *Issuers Use Incentives to Push Paperless Billing* (Jan. 10, 2011) (<https://www.nasdaq.com/articles/issuers-use-incentives-push-paperless-billing-2011-01-10>).

<sup>33</sup> FY 2019 HDS at p. 30; see Greg Iacurci, *Electronic Payments Usage is Up, But Comes with Privacy Issues for Consumers*, CNBC (Jan. 15, 2020) (<https://www.cnbc.com/2020/01/15/digital-payments-usage-is-up-but-comes-with-consumer-privacy-issues.html>).

1 mechanisms.<sup>34</sup> Businesses are expected to continue to expand their use of electronic  
2 delivery, which is a lower cost means to communicate and transact with customers.<sup>35</sup>  
3 Consumers have also adapted to real-time availability of information and news through  
4 digital channels which dampens demand for hard-copy reading material sent through  
5 the mail.<sup>36</sup>

6 Despite the move toward electronic delivery, demand for physical mail persists.  
7 The Postal Service's FY 2020 Household Diary Survey found that bill and statements  
8 represented about 41 percent of total FCM volume received by households, or about  
9 14.5 billion mail pieces.<sup>37</sup> Almost all households receive at least one utility bill via FCM  
10 each month.<sup>38</sup> Additionally, many people rely on physical mail as a reminder to ensure  
11 that credit card statements, utility bills, overdue notices, and other important items do  
12 not get buried in an e-mail inbox.<sup>39</sup> In fact, the "Mail Moments" survey commissioned by  
13 the Postal Service showed that in the Fall of 2020, 55 percent of households received  
14 bills by mail and 87 percent of respondents in the survey said that they looked through  
15 their mail to avoid discarding valuable information.<sup>40</sup> Some consumers prefer bills and  
16 statements received by mail because they worry about security and their personal data

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<sup>34</sup> See FY 2019 HDS at p. 37.

<sup>35</sup> Herb Weisbaum, *Switching to Digital Billing Statements? Here's What You Need to Know*, NBC News (Jan. 23, 2019), (<https://www.nbcnews.com/better/lifestyle/switching-digital-billing-statements-here-s-what-you-need-know-ncna961176>); FY 2020 Integrated Financial Plan at p. 4.

<sup>36</sup> FY 2019 HDS at pp. 1-2, 13.

<sup>37</sup> Forthcoming USPS Fiscal Year 2020 Household Diary Study.

<sup>38</sup> See Summit Research, "USPS Mail Moments," Oct. 2020, slide 38 (hereinafter "USPS Mail Moments"). Please find relevant excerpts of USPS Mail Moments at Attachment One.

<sup>39</sup> See USPS Mail Moments at slide 45 (reporting that, in the Fall of 2020, 60% of respondents agreed with the statement "I worry that if a bill is sent by email I might miss it").

<sup>40</sup> USPS Mail Moments at slides 41, 62.

1 privacy when bills are sent via e-mail.<sup>41</sup> Bills received by mail also serve the functions  
2 of record keeping and reminding a consumer to pay a bill.<sup>42</sup>

3 Consumers also value the connection they can feel from physical mail. The “Mail  
4 Moments” survey also found that 87 percent of respondents agreed with the statement  
5 that receiving a handwritten letter, note, or card had a lot of value.<sup>43</sup> That has been of  
6 special importance during the COVID-19 pandemic, as it remains a safe way to connect  
7 with other people.<sup>44</sup>

## 8 **II. ESTIMATE OF IMPACT ON FIRST-CLASS MAIL**

### 9 **A. Methodology**

10 Witness Thress evaluated whether the proposed service standard changes  
11 would impact FCM volume, revenue, and contribution. To do so, Thress examined  
12 whether a relationship exists between changes in delivery times and FCM volume by  
13 using a set of econometric demand equations which relate mail volumes to factors  
14 which have influenced mail volumes historically.<sup>45</sup> Thress looked at six equations, one  
15 for each of “Workshared” (Or “Presort”) Letters, Cards, and Flats, and “Single-Piece”  
16 Letters, Cards, and Flats. These demand equations and other details of the  
17 econometric analysis are provided in Direct Testimony of Thomas E. Thress on Behalf

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<sup>41</sup> USPS Mail Moments at slide 45 (reporting that 52% of respondents either completely agree or somewhat agree with the statement “I worry about security of my personal information when bills are sent me to me through email”); slide 62 (noting that 59% of respondents either agree completely or agree somewhat with the statement “I worry less about privacy with mail than with digital communication”).

<sup>42</sup> Transactional Mail OIG Report at p. 7.

<sup>43</sup> USPS Mail Moments at slide 62.

<sup>44</sup> COVID Mail Attitudes at slides 3, 5.

<sup>45</sup> Advisory Opinion on Mail Processing Network Rationalization Service Changes, PRC Docket No. N2012-1 (Sept. 28, 2012), at pp. 70-71 (noting that a revealed preference study or econometric analysis would be helpful in determining the impact of the proposed service standard change).

1 of the United States Postal Service (USPS-T-5), PRC Docket No. N2021-1 (April 21,  
2 2021).

3 The demand equations used here are similar to those used in the annual January  
4 filings made with the PRC pursuant to Commission Rule 3050.26.<sup>46</sup> Here, however,  
5 average days to delivery (“Delivery Time”) was added as variable in each of the six  
6 relevant FCM equations. The Delivery Time data was compiled by quarter from FY  
7 2009-Q3 through FY 2020-Q4 and for selected quarters prior to FY 2009-Q3. Based on  
8 the data available, average delivery times appear relatively constant in the years  
9 preceding FY 2009.

10 Next, witness Thress estimated the amount of impact on FCM’s volume,  
11 revenue, and contribution using the historical analysis as the basis for the forecast.  
12 Thress assumed that the proposed service standard changes would result in increased  
13 delivery times. His findings are discussed in detail below.

#### 14 **B. First-Class Mail Findings**

15 Witness Thress found that mail volume is less sensitive to changes in Delivery  
16 Time as compared to other factors in demand.<sup>47</sup> The primary factor driving volume loss  
17 is electronic diversion. Over the last decade, FCM volume has declined. Most of the  
18 loss, around 31.1 billion pieces, were due to electronic diversion; 456 million pieces  
19 were lost due to longer delivery times. Expressed differently, about 1.8 percent of the  
20 total decline in FCM volume over a decade appears to be the result of increase in  
21 delivery days. A table showing each primary driver of volume decline is shown below:

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<sup>46</sup> See, e.g., USPS Econometric Estimates of Demand Elasticity for All Postal Products, FY 2020, Jan. 20, 2021 (<https://www.prc.gov/dockets/document/115871>).

<sup>47</sup> Thress Direct Testimony at pp. 20, 22.

**Table 2: Drivers of FCM Volume Loss from FY 2011 to FY 2020**  
(Billions of pieces)

Driver	Volume Loss
Electronic Diversion	-31.1
Postal Price Changes	-2.3
Delivery Time Changes	-0.456

These findings are consistent with our understanding of volume trends for FCM:

that electronic diversion, not Delivery Time, is primarily responsible for the decline in mail volume.<sup>48</sup> Our market research has consistently found that reliability, “keeps my mail safe,” and “deliver[ing] the mail when expected” are more important to customers than “fast” delivery time.<sup>49</sup> This conclusion is consistent with OIG’s findings. OIG noted that 80 percent of respondents to the Postal Service’s FY 2018 Delivery Survey are generally satisfied with their mail and package delivery even though the Postal Service has not met a majority of its service performance targets in the last several years.<sup>50</sup> Based on this finding, OIG concluded that “[t]his satisfaction rate is significant and may suggest that service performance targets are not always aligned with customer expectations.”<sup>51</sup> Lastly, many customers’ expectations of delivery times may already be aligned with the proposed service standard changes. In a February 2021 audit report, OIG noted that “[w]hile existing service standards for FCM is three to five days, we

<sup>48</sup> See FY 2020 10-K at pp. 25-26.

<sup>49</sup> USPS Consumer and Commercial Brand Health Tracker: Q1’21 – Mail Services, Feb. 2021, slide 33 (hereinafter “Q1’21 BHT”). Relevant excerpts of Q1’21 BHT can be found at Attachment One. The BHT survey was designed by Chadwick Martin Bailey (CMB), a market research firm specializing in custom research. Additional information about CMB can be found here: <https://www.cmbinfo.com/>

<sup>50</sup> USPS OIG Audit Report: Assessment of the U.S. Postal Service’s Service Performance and Costs (NO-AR-19-008), Sept. 17, 2019, p. 1 (<https://www.uspsoig.gov/sites/default/files/document-library-files/2019/NO-AR-19-008.pdf>) (hereinafter “Service Performance OIG Audit Report”).

<sup>51</sup> *Id.*

completed a nationally representative survey in 2019 that demonstrated 71 percent of respondents expected their sent to mail to arrive in seven days.”<sup>52</sup>

Additionally, the proposed changes may mitigate any estimated financial impact by improving customer satisfaction. These changes were designed to improve our service capability which should result in meeting our service standards and service performance goals on a much more consistent basis.<sup>53</sup> Indeed, we intend to set our service performance target to 95 percent once the new service standards are in place, and we expect to meet or exceed that target on a consistent basis. Consistent service performance may better align customers’ expectations with actual delivery performance, which will likely drive customer satisfaction.<sup>54</sup>

The chart below provides additional detail on the relationship between FCM volume and Delivery Time. It shows the primary drivers of volume declines for the two categories of FCM products over the time period FY 2011 to FY 2020:

**Table 3: Drivers of FCM Volume Loss By Product Type**  
**from FY 2011 to FY 2020**  
 (Billions of pieces)

<b>Driver</b>	<b>Single-Piece Volume Loss</b>	<b>Presort Volume Loss</b>
Electronic Diversion	-15.127	-15.938
Postal Price Changes	-0.732	-1.521
Delivery Time Changes	-0.473	0.017

The econometric analysis reveals that the primary driver of volume loss for Single-Piece and Presort mail is electronic diversion. It also reveals that Presort mail

<sup>52</sup> USPS OIG Audit Report: Peak Season Air Transportation (NO-20-215-R21), Feb. 25, 2021, p. 12 (<https://www.uspsoig.gov/sites/default/files/document-library-files/2021/20-215-R21.pdf>) (hereinafter “Peak Air Transportation OIG Audit Report”).

<sup>53</sup> Cintron Direct Testimony at pp. 32-33.

<sup>54</sup> Q1’21 BHT at p. 33.

volumes do not appear to be as sensitive to changes in Delivery Time. A possible explanation for the different sensitivities between Presort and Single-Piece First-Class mail is their differing customer profiles: uniformly businesses (Presort) versus a more diverse mix that includes consumers (Single-Piece). There is an industry of printers and mail service providers which cater to Presort mailers by providing value-added features. These features include enhancements in mail preparation and options to enter mail further into the postal network to achieve faster and more affordable delivery service, thereby mitigating or avoiding the effects of changes in Delivery Time. We would anticipate that the mailing industry will be able to adopt similar measures to mitigate or avoid the impacts of this proposed change, and we will work closely with the industry on such matters.

The lower sensitivity of Presort mail to changes in Delivery Time is an important finding. It suggests that the estimated impact to FCM is unlikely to be significant given that Presort Letters account for 65 percent of overall FCM volume and Single-Piece Letters is 28 percent.<sup>55</sup>

Witness Thress used his historical analysis as a basis for projecting how FCM volume would respond to the proposed service standard changes. To develop the projections, Thress evaluated the impact to FCM volume if Delivery Time increased by 19 percent as a result of the proposed service standard changes and kept price and cost constant. The projected loss to FCM contribution as a result of the proposed service standard changes is **\$110.9 million**.<sup>56</sup> The resulting loss to volume is **523.1**

<sup>55</sup> USPS Revenue, Pieces and Weight (RPW) Report for Quarter 4, FY 2020 (<https://www.prc.gov/docs/115/115091/FY2020Q4-RPWsummaryreport-PUBLIC.xls>).

<sup>56</sup> Thress Direct Testimony at p. 37.

million pieces, which represents 0.99 percent of total FCM volumes in FY 2020.<sup>57</sup> The projected impact to gross revenue is \$253.6 million.<sup>58</sup>

### III. ESTIMATE OF IMPACT ON PERIODICALS

#### A. Methodology

The proposed service standard changes are also expected to impact a portion of end-to-end Periodicals volume that travels through the FCM network. The impacted end-to-end Periodical mail pieces comprise only a small fraction of total end-to-end Periodicals volume (19 percent) and an even smaller fraction of total Periodicals volume (7 percent).<sup>59</sup> Given the relatively small proportion of volume impacted, Thress evaluated the relationship between average days to delivery (“Delivery Time”) and volume for both end-to-end Periodicals and all Periodicals. Thress ultimately selected the all Periodicals analysis because those results were more statistically meaningful than end-to-end Periodicals.

To evaluate the relationship between Periodicals volume and changes in Delivery Time, Thress used the three Periodicals demand equations filed annually with the PRC pursuant to Commission Rule 3050.26 as a starting point. Those demand equations are for the following subclasses of Periodicals: Regular Rate, Nonprofit (including Classroom), and Within County. Here, however, Delivery Time was added as variable in each of the three relevant Periodicals equations. For Delivery Times, Thress used data compiled by quarter from FY 2014-Q1 through FY 2020-Q4. The demand equations and other details of the econometric analysis are provided in Direct

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<sup>57</sup> *Id.*; FY 2020 Annual Report at p. 24.

<sup>58</sup> Thress Direct Testimony at p. 37.

<sup>59</sup> Hagenstein Direct Testimony at Library Reference (LR-N2021-1-3: Model Results).



Testimony of Thomas E. Thress on Behalf of the United States Postal Service  
(USPS-T-5), PRC Docket No. N2021-1 (Apr. 21, 2021).

### **B. Periodicals Findings**

Witness Thress's findings for Periodicals were identical to his FCM findings: the primary driver in Periodicals volume loss is electronic diversion. Since 2014, Periodicals volume has declined by 2.9 billion pieces, which is entirely due to electronic diversion.<sup>60</sup> Thress's findings are also consistent with our understanding of demand trends for Periodicals. Regular surveys conducted by the Postal Service showed that "readership and circulation for all types of [P]eriodicals fell rapidly as the Internet provided an inexpensive, and often free, source of news and information."<sup>61</sup>

Thress used his historical analysis as a basis for projecting how Periodicals contribution will respond to the proposed changes to the service standard. To develop the projections, Thress evaluated the impact to Periodicals if Delivery Time increased by 19 percent as a result of the proposed service standard changes and holding price and costs constant. Thress also adjusted the projected impact estimate because only 7 percent of all Periodicals volume will be affected by the proposed service standard changes. Further, all Periodicals are likely to be more sensitive to changes in Delivery Time as compared to end-to-end Periodicals due to the inclusion of more time-sensitive mail pieces, thus the forecasted impact is likely to be overestimated.

The projected impact to Periodicals contribution is **\$0.8 million**.<sup>62</sup> The positive contribution for Periodicals is due to attributable costs per piece being higher than

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<sup>60</sup> Thress Direct Testimony at pp. 34-35.

<sup>61</sup> FY 2019 HDS at p. 2.

<sup>62</sup> Thress Direct Testimony at p. 38.

revenue per piece for this mail class.<sup>63</sup> The resulting loss to volume is 4.3 million pieces, which represents 0.11 percent of total Periodicals, and the loss to revenue is \$1.2 million.<sup>64</sup>

#### IV. ESTIMATE OF IMPACT TO CUSTOMER SATISFICATION

The proposed changes are unlikely to have a meaningful impact on customer satisfaction. The top five drivers of customer satisfaction are: (1) reliability; (2) consistently delivers the mail when expected; (3) provides fast mail delivery; (4) “keeps my mail safe;” and (5) delivers to the correct address.<sup>65</sup> The proposed changes are unlikely to materially impact these drivers of customer satisfaction. Rather, the Postal Service designed the changes in order to improve the top two drivers: reliability and consistently delivers the mail when expected.

Our proposed changes to FCM and Periodicals service standards will enable the Postal Service to implement cost-saving and efficiency-improving transportation network changes.<sup>66</sup> The resulting cost-savings are expected to outweigh the estimated contribution loss, thereby improving the Postal Service’s financial sustainability and extending the availability of universal service.<sup>67</sup> The continued availability of universal service—including six-day delivery for mail—is one of the reasons that our customers and general public find the Postal Service valuable. This initiative and other key initiatives will help the Postal Service ensure continued universal service for all our

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<sup>63</sup> See USPS Annual Compliance Review FY 2020, USPS-FY20-1-FY 2020 Public Cost and Revenue Analysis Report, Dec. 29, 2020 (<https://www.prc.gov/docs/115/115617/USPS-FY20-1%20Preface.CRA.Report.pdf>).

<sup>64</sup> Thress Direct Testimony at p. 38.

<sup>65</sup> Q4’20 BHT at p. 33.

<sup>66</sup> Cintron Direct Testimony at p. 34.

<sup>67</sup> *Id.* at p. 32.

1 customers, with significantly increased reliability.<sup>68</sup> Reliable universal service is an  
2 important part of our value proposition to customers, and hence is pivotal to our  
3 success. Thus, these proposed changes will help ensure that our customers and the  
4 general public continue to find the Postal Service to be reliable thereby likely improving  
5 our customer satisfaction scores.

6 The efficiency-improving network changes will improve our ability to deliver  
7 consistently within customers' expectations.<sup>69</sup> These changes were designed to  
8 improve our service capability which will result in meeting our service standards and  
9 service performance goals on a more consistent basis. As previously noted, we will set  
10 our service performance targets to 95 percent once the new service standards are  
11 established, and we expect to meet or exceed those standards on a consistent basis.  
12 Consistent service performance will likely better align customers' expectations with  
13 actual delivery performance. As a result, these proposed changes may improve  
14 customer satisfaction and minimize any financial impact resulting from the changes by  
15 increasing the Postal Service's ability to consistently deliver mail within the customers'  
16 expectations.

17 While the proposed changes will increase our service standards for a portion of  
18 FCM and end-to-end Periodicals, these changes are unlikely to materially impact the  
19 third top driver of customer satisfaction: fast delivery. Many customers' expectations of  
20 delivery times may already be aligned with the proposed service standard changes. An

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<sup>68</sup> See USPS Press Release, *United States Postal Service Unveils 10-Year Plan to Achieve Financial Sustainability and Service Excellence*, Mar. 23, 2021 (<https://about.usps.com/newsroom/national-releases/2021/0323-usps-unveils-10-year-plan-to-achieve-financial-sustainability-and-service-excellence.htm>).

<sup>69</sup> Cintron Direct Testimony at pp. 32-33.

OIG report noted that “[w]hile existing service standards for FCM is three to five days, we completed a nationally representative survey in 2019 that demonstrated 71 percent of respondents expected their sent to mail to arrive in seven days.”<sup>70</sup> This suggests that some customers may not be impacted by the service standard changes as they have already expected longer delivery times than our current service standards. Additionally, these changes impact only a portion of FCM and a small segment of Periodicals volume. Specifically, 61 percent of FCM mail volume will not be impacted by the proposed service standard changes, and 93 percent of Periodicals volume will not be affected.<sup>71</sup>

In sum, I do not anticipate that the proposed changes will materially impact customer satisfaction. Indeed, the proposed changes may even improve customer satisfaction by ensuring that the Postal Service remains reliable and consistently delivers within customers’ and the general public’s expectations.

## **V. COMMUNICATIONS PLAN**

The communications plan is critical to the success of the proposed service standard changes. For this initiative to be effectively implemented, we need the input of the public and postal stakeholders.<sup>72</sup> The communications plan facilitates these integral partnerships.

### **A. Overview**

Partnerships are created when stakeholders are engaged in the process. To drive engagement, we developed communications strategies that seek to effectively

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<sup>70</sup> Peak Air Transportation OIG Audit Report at p. 12.

<sup>71</sup> Hagenstein Testimony at Library Reference (LR-N2021-1-3: Model Results).

<sup>72</sup> The following terms are used interchangeably: “stakeholders” and “the public and postal stakeholders.”

1 inform the general public and postal stakeholders and provide forums where the general  
2 public and stakeholders can ask questions and provide feedback. We also have a  
3 process for the Postal Service to receive and consider feedback as part of evaluating or  
4 revising the service standards.

## 5 **B. Effectively Informing the General Public and Postal Stakeholders**

6 Ensuring that the general public and all stakeholders are effectively informed is a  
7 multi-step process that involves all levels of the Postal Service. First, we identified all  
8 the stakeholders that need to be informed. Next, we selected productive avenues for  
9 disseminating information to the general public and postal stakeholders. Finally, we  
10 developed strategies for ensuring that disseminated information is tailored to each type  
11 of stakeholder.

### 12 **1. Identifying Who Needs to be Informed**

13 The stakeholders comprise two target audiences: the general public and postal  
14 stakeholders. Within the broad umbrella of postal stakeholders, we identified a diverse  
15 array of stakeholders ranging from customers to Congress that need to be informed of  
16 the initiative. Other examples of postal stakeholders include USPS employees, industry  
17 associations, regulators, competitors, suppliers, foreign posts, and countless other  
18 entities and organizations.

### 19 **2. Identifying Channels of Communications**

20 To disseminate communications to the general public and postal stakeholders,  
21 we relied on the Postal Service's established channels of communication. These  
22 channels have a proven track record of success. For example, the Postal Service  
23 regularly shares ideas and information with business mailers of all sizes through a  
24 network of Postal Customer Councils ("PCC"). The focus of PCCs is to share

1 information about new and existing Postal Service business products, programs,  
2 services, and procedures. Through these education efforts, the PCC helps industry  
3 members and their organizations grow and develop professionally.

4 Another communication channel for business mailers is our nationwide Business  
5 Service Network (“BSN”). The BSN provides service and support for the Postal  
6 Service’s largest customers by addressing service issues, answering questions, and  
7 fulfilling requests. In addition, bulk mailers of all sizes receive information and support  
8 through the Business Mail Entry Unit Message Center and on our PostalPro website,  
9 which contains a wide range of technical data and links to more information of interest  
10 to business mailers.

11 Two established channels of communication for major mailing associations and  
12 organizations are the Postmaster General’s Mailers Technical Advisory Committee  
13 (“MTAC”) and Areas Inspiring Mail (“AIM”). MTAC meets quarterly and has been an  
14 invaluable source of industry input on important plans and actions. The Postal Service  
15 met with MTAC industry members to discuss the proposed service standards and  
16 operational changes. We had productive discussions regarding the initiative during  
17 which MTAC members provided insightful feedback. AIM is designed as a collaborative  
18 method to discuss how the Postal Service and industry can work together to effect  
19 positive changes. Area meetings take place regularly to ensure consistent  
20 communications. AIM members also provided insightful feedback on the initiative.

21 The Postal Service also has an array of established communication channels for  
22 consumers and small businesses. We developed materials and training to ensure all  
23 employees who interact with the general public and business mailers can explain the

1 proposed service standards and operational changes and answer basic questions  
2 related to those matters. We also communicate with consumers and small business  
3 through our website, to which we added detailed information about the initiative. Finally,  
4 Corporate Communications regularly provides information about current postal issues  
5 and initiatives to local, regional, national, and social media sources. We used this  
6 channel to issue press releases in order to inform the general public about the initiative.

### 7 **3. Ensuring the Information is Clearly Conveyed and Sufficient to** 8 **Facilitate Feedback**

9 Effectively informing the general public and postal stakeholders also requires that  
10 the information disseminated clearly conveys the initiative and provides sufficient  
11 information to facilitate meaningful dialogue and feedback. It further requires providing  
12 enough information to help stakeholders prepare for and adjust to the changes in postal  
13 services and operations contemplated. Given that each stakeholder has different needs  
14 and will be impacted by the proposed service-standard changes differently, effectively  
15 informing each type of stakeholder requires tailoring the communication to each type of  
16 stakeholder. As a result, our communication strategies employ different methods for  
17 informing households and small businesses as compared to informing our largest  
18 customers of the initiative.

19 One communication strategy that remains consistent across the different types of  
20 mailers and stakeholders is to mitigate any confusion relating to the proposed service  
21 standards and operational changes. Some mailers, such as remittance, election, and  
22 Periodicals mailers, have unique needs and will be impacted by the changes differently  
23 than our other mailers. For these mailers, we have and will conduct specific outreach  
24 efforts to discuss the changes, in order to mitigate any confusion, and to receive

1 feedback on the proposed changes. This outreach is ongoing and will continue past  
2 implementation.

### 3 **C. Providing Forums to Receive Feedback**

4 Another component of public and postal stakeholders engagement is to provide  
5 forums where stakeholders can ask questions and provide feedback. We provided a  
6 variety of different forums tailored to the type of stakeholder. We hosted webinars for  
7 business mailers to introduce and discuss the proposal as well as to answer any  
8 questions and receive feedback. For the general public, our employees at customer  
9 care centers are knowledgeable about the proposed service-standard changes and can  
10 answer most questions about the initiative. These employees can also receive  
11 feedback.

12 We also established formal processes for receiving feedback. Under the PAEA,  
13 the Postal Service's market-dominant service standards are codified as federal  
14 regulations, and the Postal Service typically engages in notice-and-comment processes  
15 when establishing or revising service standards. Accordingly, the Postal Service will  
16 publish a notice of proposed rulemaking in the *Federal Register*, which is intended to  
17 solicit public comment. In previous such rulemakings, comments came from postal  
18 stakeholders, including individual consumers and consumer groups, large and small  
19 mailers, businesses and nonprofit groups, mailer and industry associations, organized  
20 labor, postal employees, and federal, state, and local officials. The Postal Service plans  
21 to carefully review and consider all comments received.

22 Prior to initiating the current proceeding, the Postal Service also held a pre-filing  
23 conference on April 6, 2021 for any person interested in the Postal Service's request for  
24 an advisory opinion and the changes underlying the request pursuant to 39 C.F.R.



1 § 3020.111. The purpose of this conference was to present the Postal Service's  
2 proposal and engage in productive and meaningful dialogue with interested persons  
3 with the aim of identifying and addressing concerns. Conference attendees raised  
4 concerns ranging from whether packages would be impacted by the proposed service  
5 standard changes to how will the changes impact election mail. Many of the concerns  
6 raised were addressed during the conference,<sup>73</sup> and the remaining concerns were  
7 addressed either during the informal meetings<sup>74</sup> contemplated by 39 C.F.R.  
8 § 3020.111(g) or by the direct testimonies.<sup>75</sup> While many customers have expressed  
9 general concerns about adjusting delivery times, we believe that the specific  
10 adjustments we are proposing are necessary and appropriate, for the reasons  
11 discussed in this and the other testimonies.

12 Overall, the strategies underlying the communications plan ensures that the  
13 Postal Service builds the necessary partnerships with the general public and postal  
14 stakeholders to make the proposed services standard changes and network  
15 optimization efforts a success.

## 16 **VI. CONCLUSION**

17 As electronic diversion and other factors continue to take its toll on the Postal  
18 Service's volumes and revenues, the Postal Service remains committed to achieving

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<sup>73</sup> For example, at the conference, Postal Service officials provided the proposal's details and responded to questions and concerns relating to which products and service that will be impacted by the proposal.

<sup>74</sup> Postal Service officials informally meet with groups whom raised concerns about the proposal. For example, officials met with remittance mailers, election officials, and periodical mailers to identify and address their concerns and answer questions.

<sup>75</sup> For example, a library reference to Hagenstein Direct Testimony addresses concerns relating to remittance mail. The library reference notes that a majority of remittance mail will not be impacted by the proposed service standard changes. Hagenstein Testimony at Library Reference (LR-N2021-1-3: Model Results) (finding that, at most, 34% of remittance mail will be impacted by the proposed service standard changes).

- 1 financial sustainability and providing reliable universal service by reducing costs and
- 2 improving transportation efficiency, and significantly enhancing service capability
- 3 through the proposed service standard changes and other key initiatives.



## USPS Market Research & Insights

# COVID Mail Attitudes

## *Understanding & Impact*

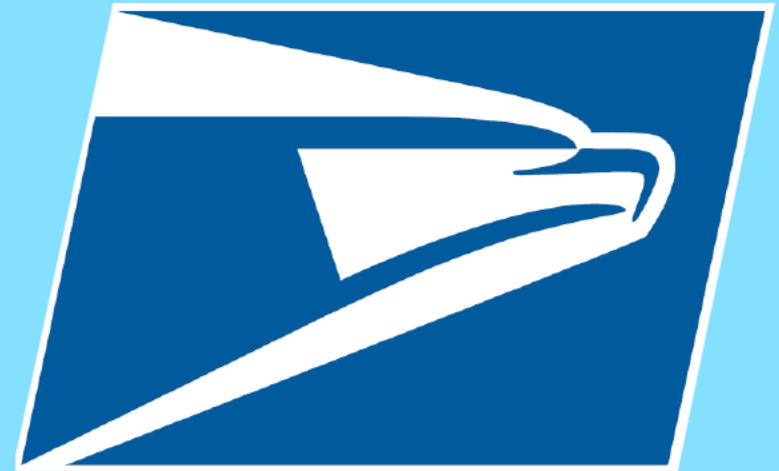
Doug Wiggins

Market Research & Insights

November 2020

### **The USPS Market Research & Insights Team Is Responsible For:**

- Focus groups and other custom research
- Synthesis of primary and secondary research sources
- Quarterly insights deliverables for mail and shipping
- Addresses the state of USPS business and its competitors





## Key Findings

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### Methodology

- Omnibus (online survey)
- # of survey respondents = 1,004 US adults
- Census representative of US population
- age 18+
- April 15-17 2020, November 16-18 2020
- Weighted by age, sex, geographic region, race and education (to match census breakdowns)

### Findings

- Consumers are feeling increasingly isolated and distant from people.
- Two-thirds have/would send mail, with family and friends the most common recipients.
- Attitudes towards mail and the United States Postal Service have remained consistent through the COVID-19 pandemic

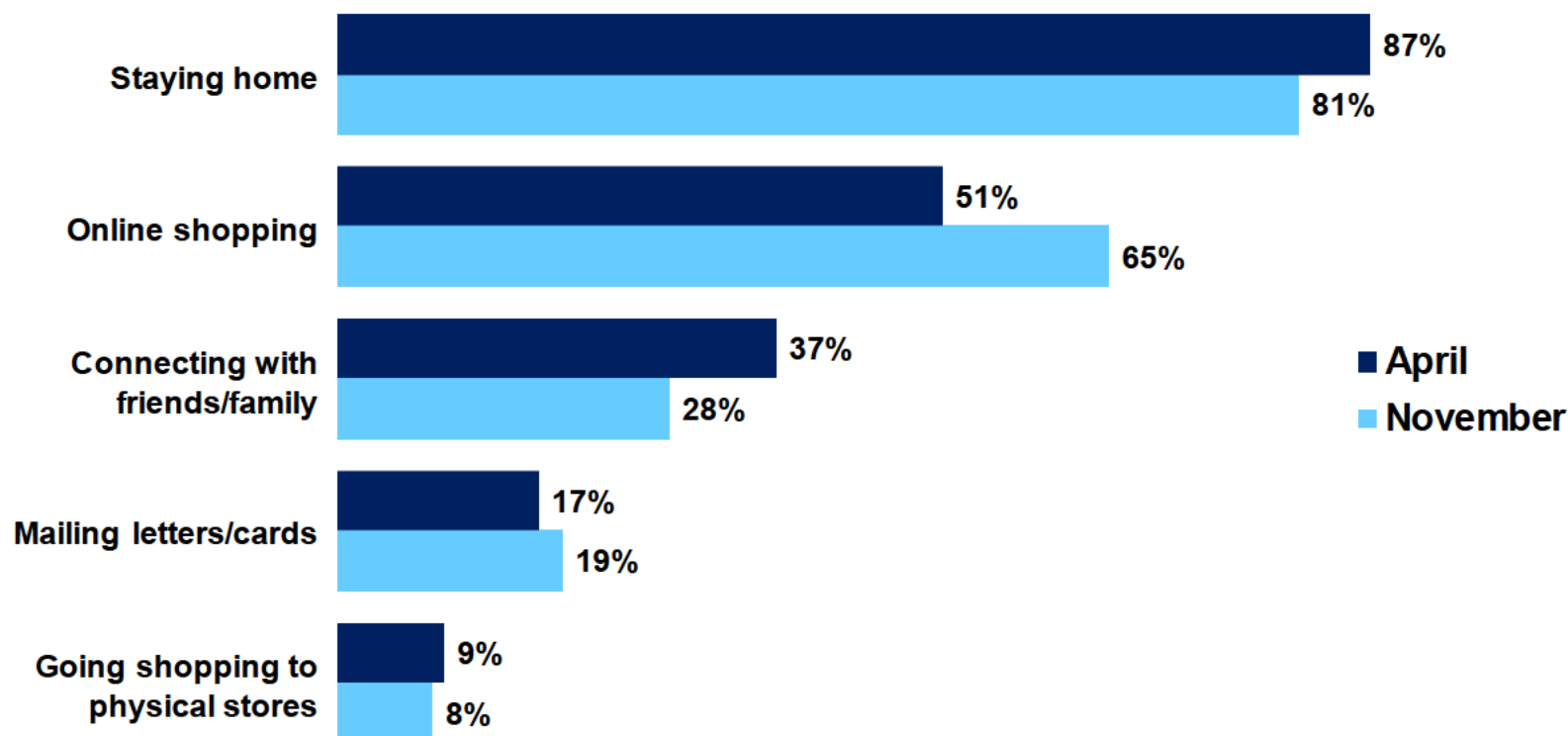


## Activities done more of in past few weeks

**Around 1-in-6 consumers have been sending more letters/cards over the past few weeks. This skews higher income and those with kids in the home.**

**Q1. Thinking about your personal behavior since the coronavirus outbreak. How would you say each of these has changed, if at all, since the beginning of the pandemic?**

*Done a lot/little more*





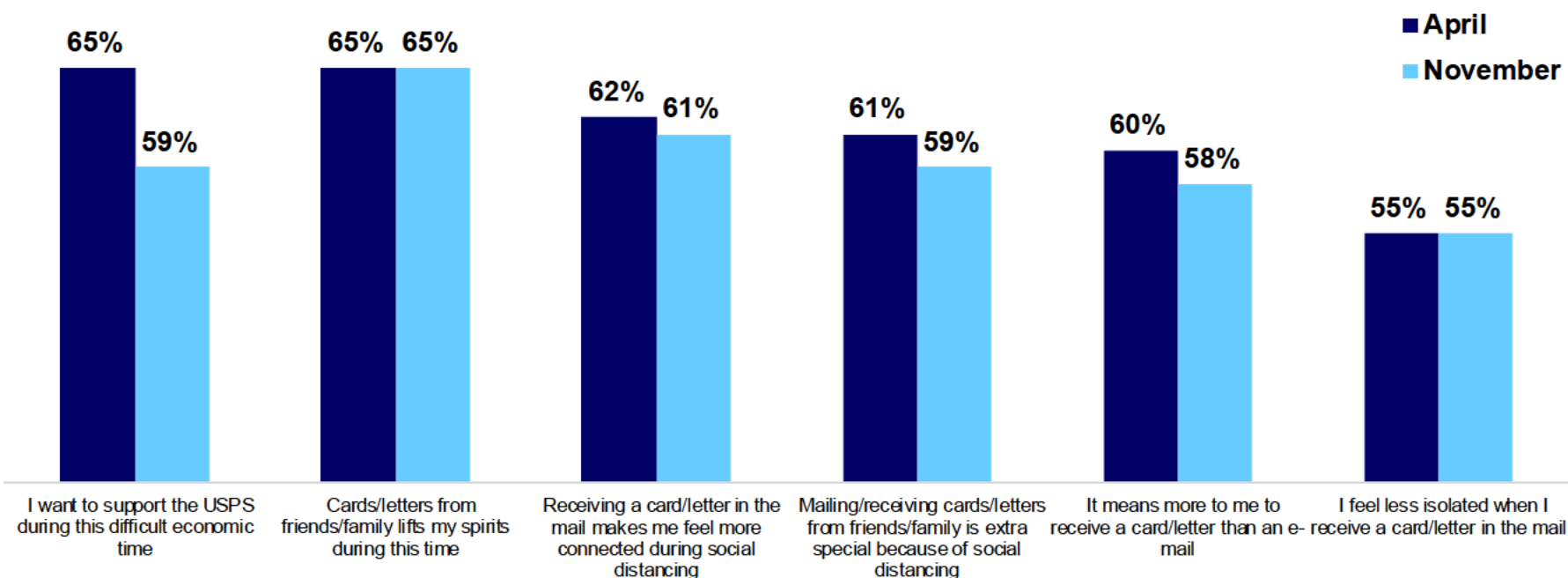
## Attitudes/Experiences

**The majority want to support USPS during this time and agree that receiving mail lifts their spirits. Mail is extra special during this time of social distancing.**

**Q4. Thinking specifically about your experience during the Coronavirus pandemic, how much do you agree with the following?**

**Q5. Thinking specifically about your attitudes towards sending mail during the Coronavirus pandemic, how much do you agree with the following?**

### % Agree with Statement (Top 2 Box, 5pt Scale)





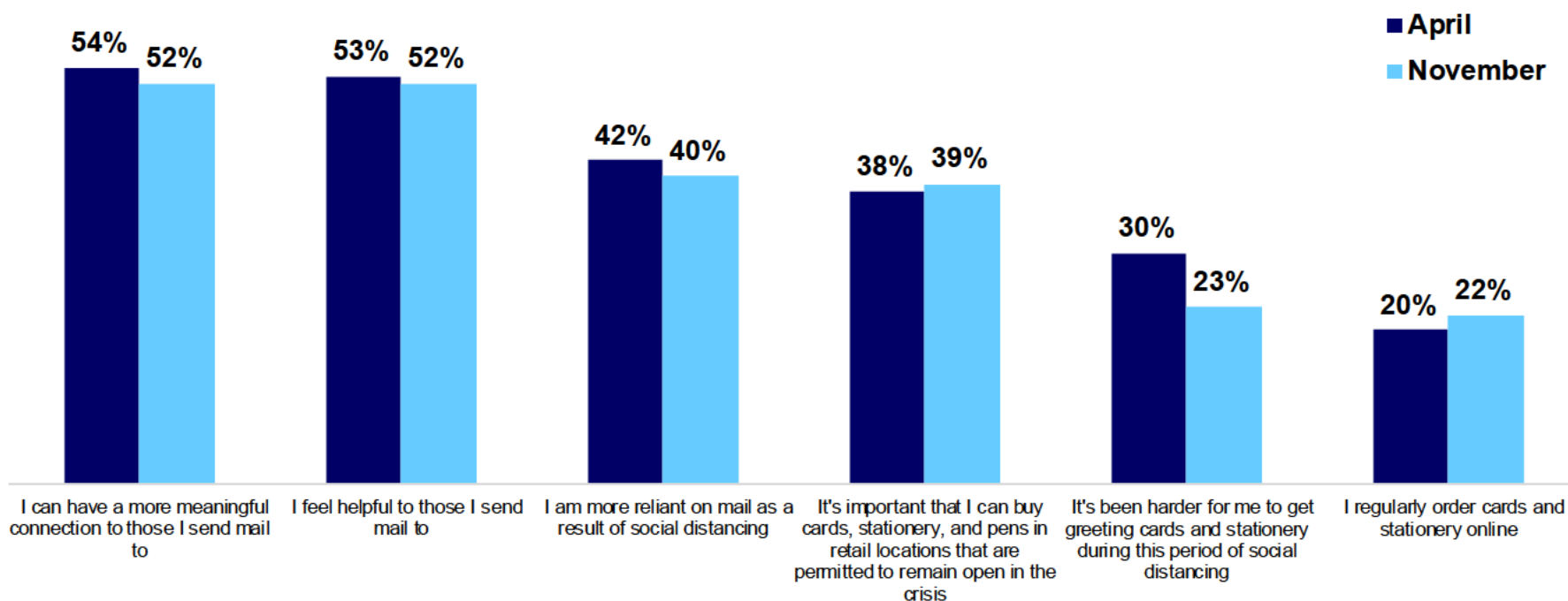
## Attitudes/Experiences

**Respondents find they can have a more meaningful connection to those they send mail to, while some indicate the importance of flexibility in how they shop for mail products**

**Q4. Thinking specifically about your experience during the Coronavirus pandemic, how much do you agree with the following?**

**Q5. Thinking specifically about your attitudes towards sending mail during the Coronavirus pandemic, how much do you agree with the following?**

### % Agree with Statement (Top 2 Box, 5pt Scale)

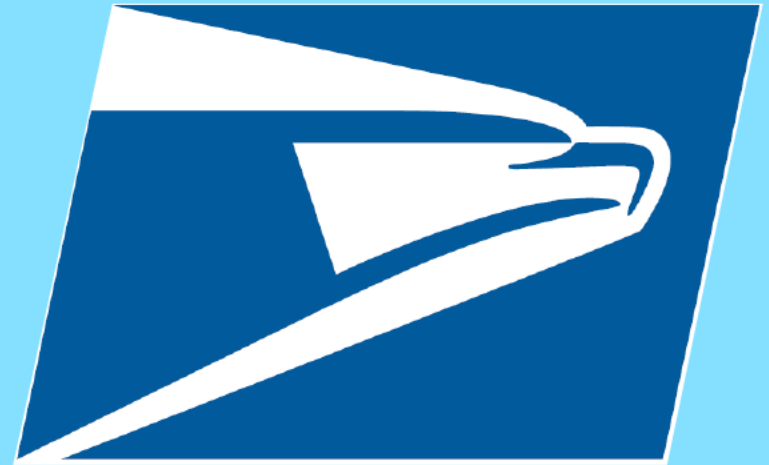


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**USPS Customer & Market Insights**

# USPS Mail Moments

## Fall 2020 Review

Conducted by Summit Research  
October 2020







# Methodology

**An online survey was conducted as a part of an ongoing tracking effort to understand mail behavior, overall mail habits, and bill payment activities**

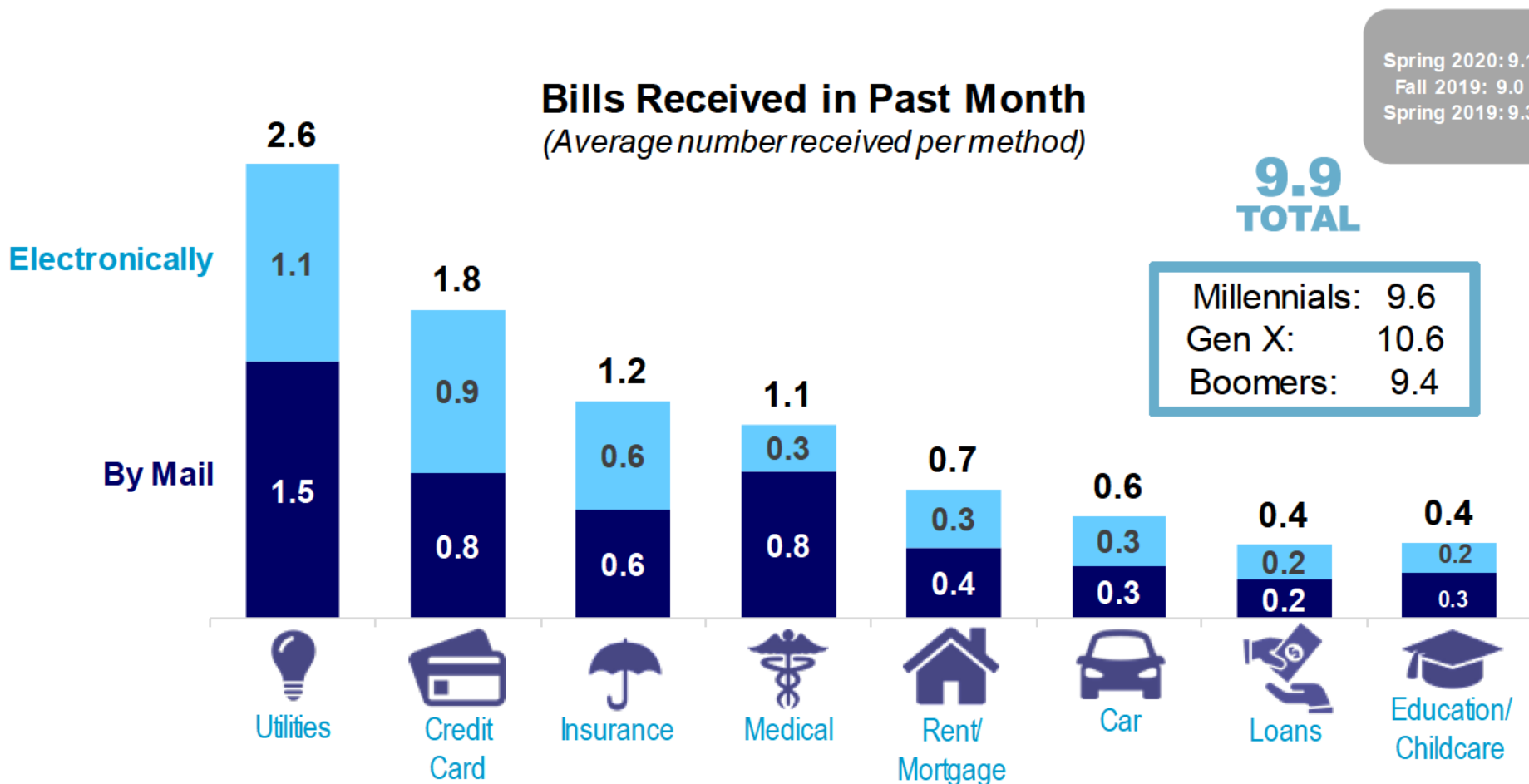
- Fielded October 16-26, 2020 by Summit Research
  - Previous waves: December 2012, March 2016, September 2017, April 2018, October 2018, April 2019, October 2019, April 2020
- Consumers were randomly assigned to complete one section of the survey: mail moments or bill payment
- Base size=2403 consumers (Mail moments=1204, Billing=1199)
- Participant requirements:
  - Ages 18-75
  - Male or female head of household
  - Involved with mail sorting, making shopping lists/grocery shopping, and/or bill management
  - Age, ethnicity, HH income, and region matched to census data. Female skew for gender
- Generations defined to align with Pew Research Center definitions:

Generation	Year of Birth
Gen Z	1997-
Millennials	1981-1996
Gen X	1965-1980
Boomers	1946-1964



# Household Bills

The average household receives approximately 10 total bills per month. Utility bills are the most frequently received bill type

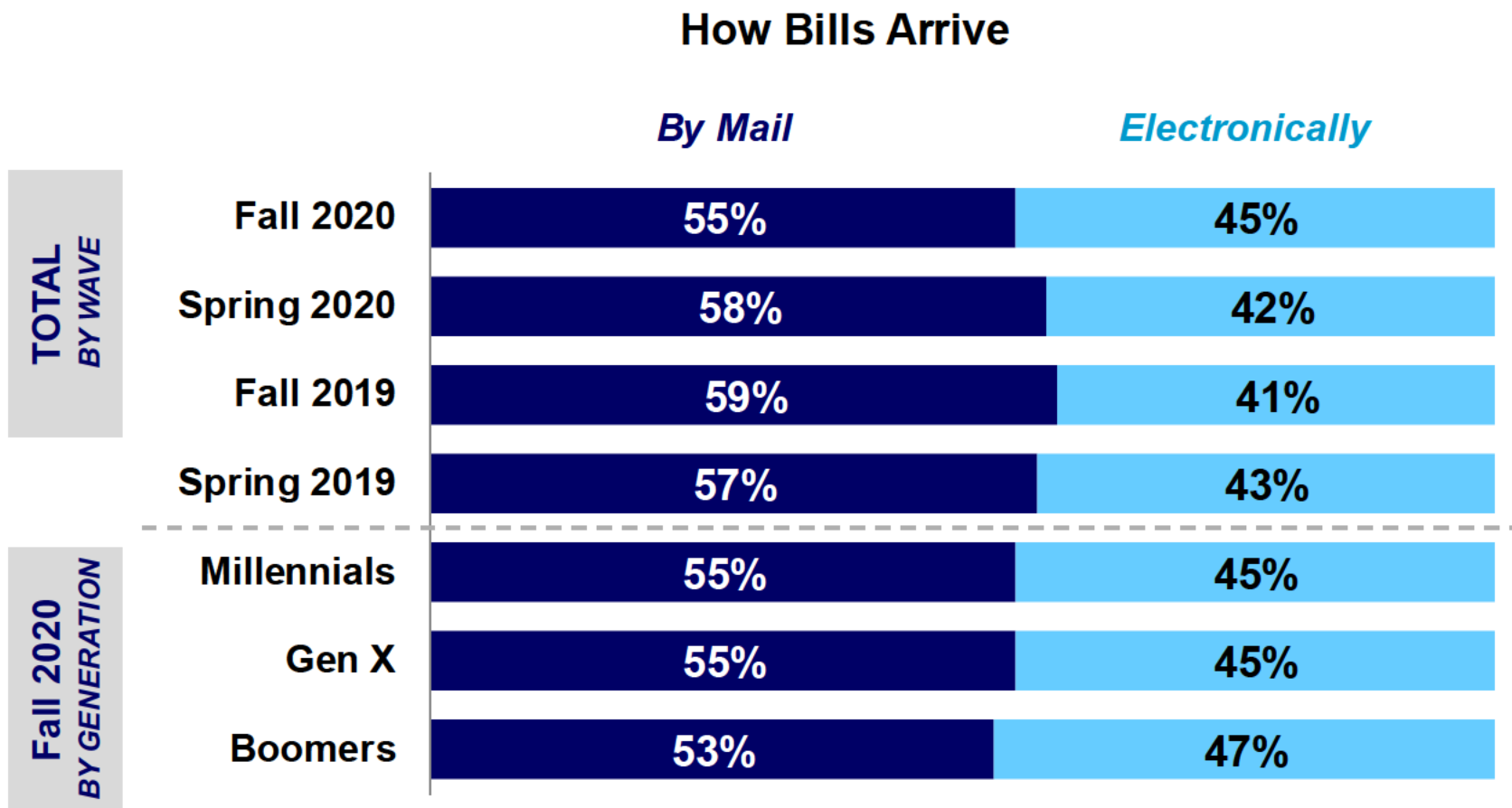


B5. How many bills did you receive online or by mail last month of each of the following types? B6. For each of the following bills you received last month, how many did you receive by mail and how many did you receive electronically (by e-mail)? Base size: 1199



# How Bills Arrive: By Generation

Majority of bills arrive by mail, although bills arriving electronically have slightly increased from the spring



B6. For each of the following bills you received last month, how many did you receive by mail and how many did you receive electronically (by e-mail)? Base size: 1199; Fall 2018=1270, Spring 2019= 1292, Fall 2019=1350, Spring 2020=1304

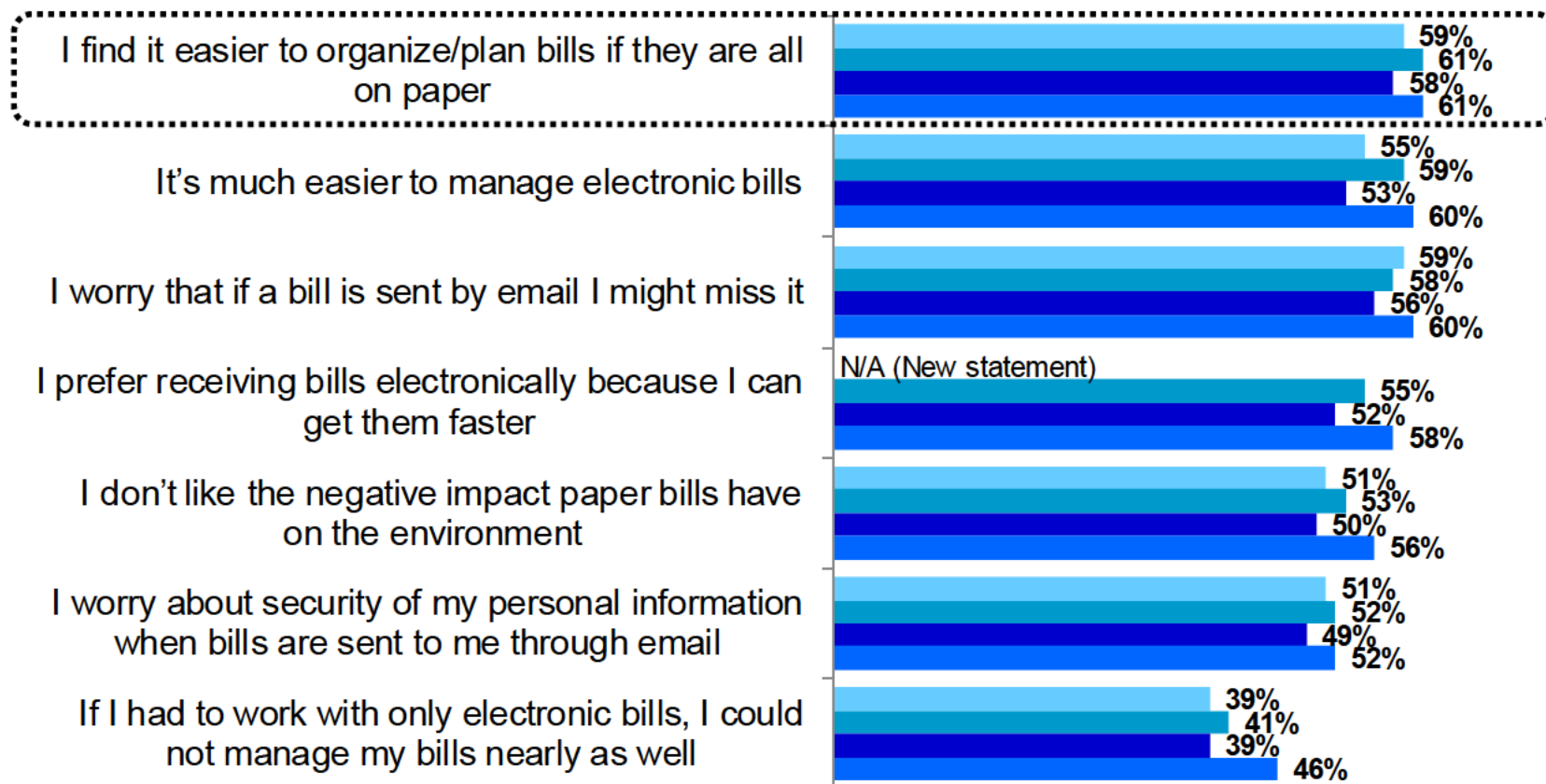


# Attribute Ratings

More consumers agree paper bills are easier for organizing and planning

## Billing Attribute Agreement (% Completely/Somewhat Agree)

Spring 2019 Fall 2019 Spring 2020 Fall 2020





# Overall Mail Attitudes: Mail Perceptions

Compared to the spring of 2020, more consumers agree their HH gets too much unimportant mail, however, they find the mail they receive to be relevant

## Mail Perceptions (% Agree Completely + Agree Somewhat)



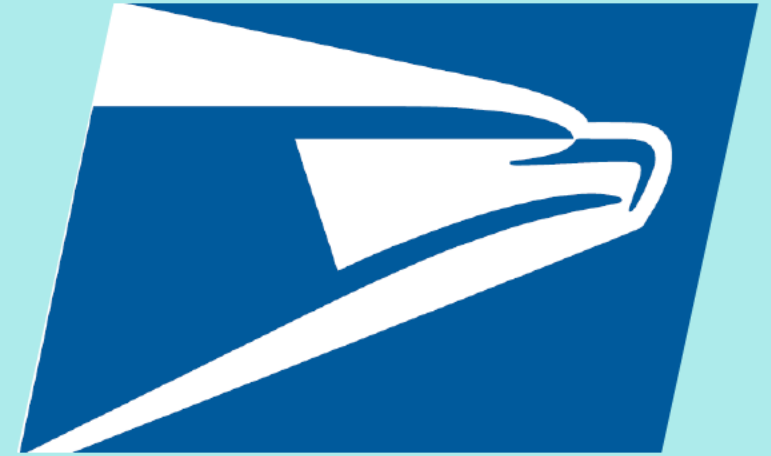


## USPS Market Research & Insights

# Consumer and Commercial BHT

Q1'21 – Mail Services

February 2021



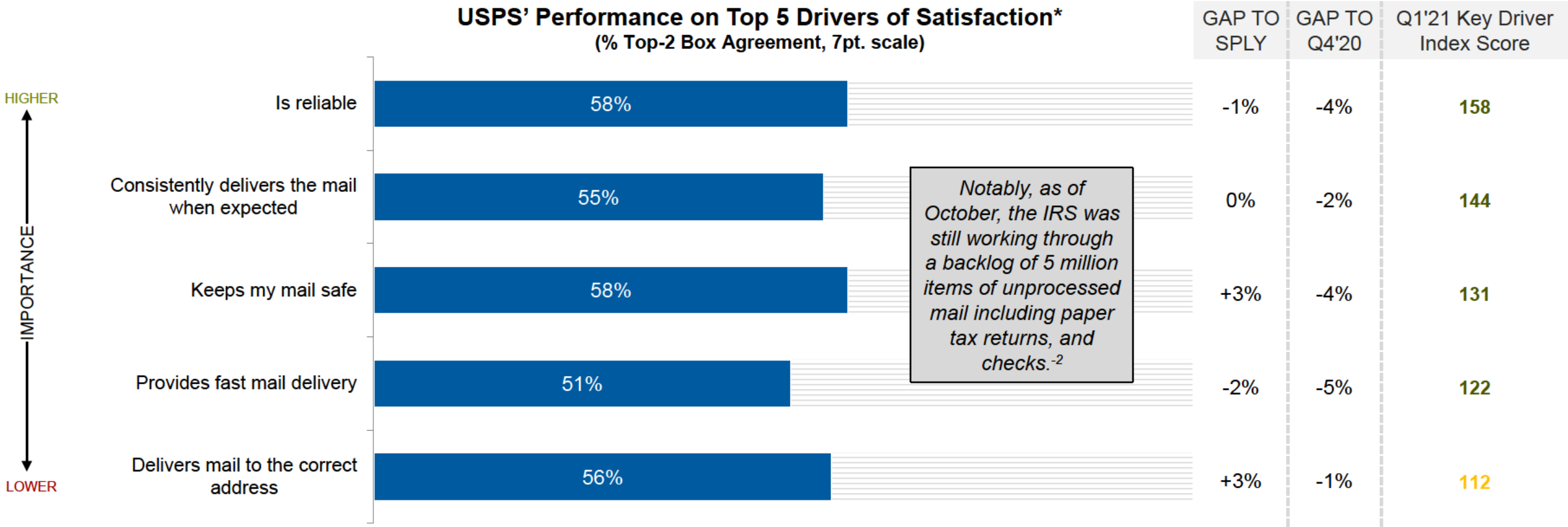
This survey was designed by Chadwick Martin Bailey (CMB), a market research firm specializing in custom research.

# USPS' performance on three of the top five drivers of mail satisfaction has declined from last quarter

Attachment 1 to USPS-T-4-Monteith



Perceptions that USPS is *reliable*, *keeps mail safe*, and *provides fast mail delivery* notably decreased, which could be attributed to the immense scrutiny placed on USPS' efficiency and operations throughout the election.<sup>-1</sup>



\*SEE APPENDIX FOR FULL LIST OF ATTRIBUTES. Order based on Q1'21 driver analysis based on satisfaction (run on data from Q2'20 through Q1'21)

Base: Mail users; Q1'21 (n=1086).

Q22. Here is a list of statements that may or may not describe the mail service of the United States Postal Service.

▲/▼ Significantly higher/lower vs. previous time period at the 95% confidence level

▲/▼ Significantly higher/lower vs. SPLY at the 95% confidence level

**LIBRARY REFERENCES SPONSORED BY UNITED STATES POSTAL SERVICE  
WITNESS STEVEN MONTEITH**

United States Postal Service Witness Steven Monteith sponsors the following library references:

- USPS-LR-N2021-1/8 – End-to-End Periodicals Volume
- USPS-LR-N2021-1/9 – 18 Percent Input
- USPS-LR-N2021-1/10 – BHT Surveys
- USPS-LR-N2021-1/20 – First-Class Mail Pieces Impacted by Product Type
- USPS-LR-N2021-1/21 – 19 Percent Input
- USPS-LR-N2021-1/NP5 – BHT Surveys



**RESPONSE OF USPS WITNESS MONTEITH TO INTERROGATORY OF  
APWU REDIRECTED FROM WITNESS CINTRON**

**APWU/USPS-T1-3.** Please refer to page 34 of your testimony. You note that the Postal Service has considered the degree of customer satisfaction with Postal Service performance in the acceptance, processing and delivery of mail and the needs of Postal Service customers, including those with physical impairments.

- a. Describe how you assessed and measured customer satisfaction as described in your testimony.
- b. Describe how you assessed and measured postal customers' needs, including those customers with physical impairments.

**RESPONSE:**

- a. I measure and assess customer satisfaction through our Brand Health Tracker survey. See Direct Testimony of Steven Monteith on Behalf of the United States Postal Service (USPS-T-4), PRC Docket No. N2021-1 (Apr. 21, 2021), at pp. 18-20; Response to POIR No. 1, Question 34 (May 17, 2021).
- b. The Postal Service has not assessed and measured the needs of customers, including those customers with physical impairments, with respect to the proposal at issue in the above-captioned docket.

**RESPONSE OF USPS WITNESS MONTEITH TO INTERROGATORY OF  
APWU REDIRECTED FROM WITNESS CINTRON**

**APWU/USPS-T1-4.** Please refer to page 17, footnote 12 of your testimony. You note that the Postal Service will work with local election officials to help them plan for any impacts from the service standard changes that might affect their Election Mail. \* \* \* \*

- b. Describe the timing of the Postal Service's work with local election officials about the service standard changes, particularly those local election officials who will be in an election cycle at the time the service standard changes are implemented.

**RESPONSE:**

- b. .

We regularly communicate with state election executives and local election jurisdictions to keep them informed of any changes and garner their feedback, comments, suggestions, and concerns.

At a local and national level, we will work with state election executives and local election jurisdictions to prepare for statewide election and midterm elections. This includes outreach, education on mail design, mail preparation, and mail entry as well as ensuring they have the necessary supplies such as tags and labels. In addition, we conduct outreach to state election executives, with upcoming elections for Federal and State office, or special elections to ensure they are aware of any changes and requirements and have the necessary support as they prepare for these elections.

Leveraging our partnership with the National Association of Secretaries of State ("NASS") and the National Association of State Election Directors ("NASED") enables our ability to ensure information is disseminated down to state election executives as well their respective jurisdictions in a timely manner.

**RESPONSE OF USPS WITNESS MONTEITH TO INTERROGATORY OF  
APWU REDIRECTED FROM WITNESS CINTRON**

We also work in collaboration with the NASS and the NASED leadership to communicate any changes directly to the local jurisdictions using email notifications.

**RESPONSE OF USPS WITNESS MONTEITH TO INTERROGATORY OF  
DOUGLAS F. CARLSON**

**DFC/USPS-T4-8.** Please refer to your testimony at page 16, lines 16–17 and page 17, lines 1–2. \* \* \* \* \*

- f. For the finding that 71 percent of respondents expected their sent mail to arrive within seven days, please provide all the information concerning this market research or survey that 39 C.F.R. § 3010.323 requires you to provide, including and not limited to the exact question, the exact answer choices, the percentage of respondents who selected each answer choice, and details about the survey sample and methodology. Please also provide the same information listed herein for any related questions in that survey about time to delivery and customers' expectations thereof.

**RESPONSE:**

Neither the Postal Service nor I have any documents responsive to this request as the study was not conducted under the direction of Postal Service management; instead, I took notice of the contents of this publicly available report, and expect the Commission may do likewise.

**RESPONSES OF USPS WITNESS MONTEITH TO INTERROGATORIES AND  
REQUESTS FOR PRODUCTION OF DOCUMENTS OF  
DOUGLAS F. CARLSON**

**DFC/USPS-T4-13.** Please describe, and provide any documents relating thereto, all customer feedback that the Postal Service has received that supports the proposal described in this docket to slow delivery of First-Class Mail.

**RESPONSE:**

Mr. Carlson characterizes the Postal Service's proposal underlying PRC Docket No. N2021-1 as "slow[ing] delivery of First-Class Mail." However, the Postal Service's request for an advisory opinion notes that the proposal will improve the Postal Service's consistency and reliability from a service performance perspective, as well as increase the efficiencies of the transportation network.<sup>1</sup>

Notwithstanding, please see the documents referenced in my testimony filed on April 21, 2021 and to the response to POIR No. 1, Question 31, filed on May 17, 2021.

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<sup>1</sup> United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services, PRC Docket No. N2021-1 (Apr. 21, 2021), at pp. 6-7.

**RESPONSES OF USPS WITNESS MONTEITH TO INTERROGATORIES AND  
REQUESTS FOR PRODUCTION OF DOCUMENTS OF  
DOUGLAS F. CARLSON**

**DFC/USPS-T4-14.** Please provide all analyses, studies, market research, and other documents that relate to the preferences or opinions of the general public regarding changes to service standards to slow delivery of mail or that do not support the conclusions in your testimony concerning the likely preferences or opinions of the general public regarding the proposal described in this docket.

**RESPONSE:**

Mr. Carlson characterizes the Postal Service's proposal underlying PRC Docket No. N2021-1 as "slow[ing] delivery of mail." However, the Postal Service's request for an advisory opinion notes that the proposal will improve the Postal Service's consistency and reliability from a service performance perspective, as well as increase the efficiencies of the transportation network.

Notwithstanding, to the extent that Mr. Carlson requests "all analyses, studies, market research, and other documents that relate to the preferences or opinions of the general public regarding changes to service standards," please see the documents referenced in my testimony filed on April 21, 2021 and my response to POIR No. 1, Question 32, filed on May 17, 2021.

To the extent that Mr. Carlson requests "all analyses, studies, market research, and other documents that relate to the preferences or opinions that do not support the conclusions in [my] testimony concerning the likely preferences or opinions of the general public regarding the proposal described in this docket," there are no responsive documents to this request.

## **RESPONSES OF USPS WITNESS MONTEITH TO INTERROGATORIES OF MAILERS HUB REDIRECTED FROM WITNESS CINTRON**

**MH/USPS-T1-15.** Please refer to the statement in your testimony on page 30, line 25, and page 31, lines 1 through 3, that “In order to mitigate any harm from this change, the Postal Service will work to inform retail customers about the service changes, so that they can set appropriate expectations for delivery times.”

- a. Please explain the “harm” to which the statement refers and how informing retail customers about the service changes will materially mitigate that “harm.”
- b. Please explain how the Postal Service will mitigate “harm” to commercial customers.
- c. Please explain the criteria the Postal Service used to determine that enabling customers to “set appropriate expectations for delivery times” will mitigate “harm” to those customers interests, and how that would offset dissatisfaction over slower service.

### **RESPONSE:**

- a. The “harm” described by the Direct Testimony of Robert Cintron refers to some instances where the proposal would result in increased delivery times for certain mail pieces. Informing retail customers about the service standards changes will materially mitigate that “harm” by allowing retail customers to make informed decisions about their mailings, including placing letters and flats affected by the service standard change in the mail earlier to allow more time for delivery.
- b. Similar to retail customers, informing commercial customers about the service standards changes allows commercial customers to make informed decisions as to their business processes and their mailings affected by the service standard change.
- c. The Postal Service will continue to monitor the customers’ perspective through the Brand Health Tracker survey and other channels. We expect that the proposal will result in the Postal Service’s delivery performance

**RESPONSES OF USPS WITNESS MONTEITH TO INTERROGATORIES OF  
MAILERS HUB REDIRECTED FROM WITNESS CINTRON**

becoming more reliable through consistently meeting or exceeding the  
new service performance target of 95 percent.



**RESPONSES OF USPS WITNESS MONTEITH TO INTERROGATORIES OF  
MAILERS HUB REDIRECTED FROM WITNESS CINTRON**

**MH/USPS-T1-17.** Please refer to your testimony in section V, *The Postal Service's Proposed Network Operations Changes Are Consistent With The Policies And Requirements Of Title 39, United States Code*.

- a. Please explain whether the Postal Service considers First-Class Mail service performance to be a “driver of First-Class Mail revenue loss.” \*.\*.\*.\*

**RESPONSE:**

- a. While service performance may influence customer satisfaction with First-Class Mail, the primary driver of First-Class Mail revenue loss is overwhelming digital substitution. Direct Testimony of Thomas E. Thress on Behalf of the United States Postal Service (USPS-T-5), PRC Docket No. N2021-1 (Apr. 21, 2021), at pp. 20, 22; Direct Testimony of Steven W. Monteith on Behalf of the United States Postal Service (USPS-T-4), PRC Docket No. N2021-1 (Apr. 21, 2021), at pp. 12-13.

## RESPONSES OF USPS WITNESS MONTEITH TO INTERROGATORIES OF NNA

### NNA/USPS-T4-2. \* \* \* \*

- f. In your view, do mail recipients have easy access to local postmasters, customer service representatives or any other representative to USPS if they wish to file a complaint or express concern about late delivery of any mailpiece other than packages? Please explain your response?
- g. If the proposed service standards are put into effect, does the Postal Service expect to provide an alert on this page to the general public that the service standards have been lowered?

### RESPONSE:

f.

Mail recipients have a variety of ways to file a complaint or express concern about late delivery of any mail piece other than packages. They can file complaints or express concerns to postmasters, delivery supervisors, the Customer Care Center, or local consumer affairs office. See *a/so* USPS Domestic Mail Manual, Section 608 Postal Information and Resources, at 6.1 Consumer Complaints and Inquiries (<https://pe.usps.com/text/dmm300/608.htm#ep1256084>).

g.

NNA characterizes the Postal Service's proposal as lowering service standards. However, the Postal Service's request for an advisory opinion notes that the proposal will improve the Postal Service's consistency and reliability from a service performance perspective, as well as increase the efficiencies of the transportation network.

Notwithstanding, to the extent that NNA inquires as to whether we will notify the public as to the proposal's implementation, we plan to issue alerts and other

## **RESPONSES OF USPS WITNESS MONTEITH TO INTERROGATORIES OF NNA**

communications when the proposal is implemented. We will also publish a final rule announcing the new service standards in the *Federal Register*.

## **RESPONSES OF USPS WITNESS MONTEITH TO INTERROGATORIES OF NNA**

**DFC/USPS-T4-3.** With respect to late delivery of newspapers,

- a. Do you believe the Postal Service has received an increased volume of complaints about late-delivered newspapers in FY 2020 and FY 2021? Please explain the basis of your response.
- b. Does the Postal Service receive reports from postmasters or letter carriers about late-delivered newspapers? If so, please describe the information that would appear in these reports.
- c. Does the Postal Service compile reports or any other data from consumer complaints on late delivery of newspapers under existing Service Standards filed or expressed to any other source within the postal system other than postmasters or letter carriers?
- d. Does the Postal Service expect to compile reports or any other data from consumer complaints on late delivery of newspapers under the new service standards?

### **RESPONSE:**

- a. Due to the service performance issues that we experienced during peak season, there was likely an increase volume of complaints for all products. However, we anticipate that the complaint volume will decrease following the proposal's implementation because we plan to deliver 95 percent of all mail on time, at all times of the year.
- b. While we do not receive regular reports from postmasters or letter carriers about late-delivered newspapers, there are instances where issues related to late delivery are brought to my attention and those reports can be initiated by letter carriers, postmasters, or mailers' organizations, such as NNA.
- c. The Postal Service does not compile reports or any other data from consumer complaints on late delivery of newspapers.

**RESPONSES OF USPS WITNESS MONTEITH TO INTERROGATORIES OF  
NNA**

- d. We have no plans currently to compile reports or any other data from consumer complaints on late delivery of newspapers under the new service standards.

## **RESPONSES OF USPS WITNESS MONTEITH TO INTERROGATORIES OF NPPC**

**NPPC/USPS-T4-1.** Please refer to page 15, lines 6 through 11, of your testimony, in which you suggest that Presort mailers might adjust to the proposed new service standards by “enhancements in mail preparation and options to enter mail further into the postal network.” Please describe what “options to enter mail further into the postal network” you contemplate, including in particular whether the Postal Service will offer Presort mailers the option of discounts for destination entry when the new service standards are implemented.

### **RESPONSE:**

Mailers have a variety of options to enter mail further into the postal network. Our larger-volume mailers can drop ship as close as possible to the mail's destination by switching printer locations. Sometimes larger-volume mailers chose to transport their mail closer to its destination. Our smaller-volume mailers often work with mail service providers. These providers often consolidate multiple mailers' volumes into 5-Digit trays in order to receive the First-Class Letters 5-Digit Automation discount. They also consolidate volumes to less refined levels of presort than 5-Digit Automation for other workshare discounts.

Currently, we have no plans to offer a drop ship discount.

## **RESPONSES OF USPS WITNESS MONTEITH TO INTERROGATORIES OF NPPC**

**NPPC/USPS-T4-2.** Please refer to page 23, lines 21 through 23, of your testimony, Describe all outreach efforts that the Postal Service has made or will make to mailers of remittance mail regarding the proposed reduction in service standards at issue in this proceeding.

### **RESPONSE:**

The Postal Service's past and ongoing outreach efforts to remittance mailers regarding the service standard proposal has been provided in witness Monteith's response to POIR No. 1, Question 31, (filed on May 17, 2021).

To expand upon that response, the Postal Service recently established Remittance Mail Mailers Technical Advisory Committee ("MTAC") User Group. The purpose of this user group is to serve as an ongoing forum for the Postal Service and remittance mailers. For example, the Remittance Mailer MTAC User Group will facilitate communications between the Postal Service and remittance mailers and will address and work to resolve issues pertaining to remittance mail. The participants include remittance mailers, related industry suppliers, and Postal Service managers. The Remittance Mailer MTAC User Group will remain in effect for as long as remittance mailers continue to benefit from it.

## **RESPONSES OF USPS WITNESS MONTEITH TO INTERROGATORIES OF NPPC**

**NPPC/USPS-T4-3.** What steps does the Postal Service contemplate to slow or reverse the decline in First-Class Mail volume projected in the Strategic Plan? In your answer, please provide any estimates of volume retention or growth the Postal Service has identified and any related benchmarks or measures of success that the Postal Service has identified.

### **RESPONSE:**

#### **INTRODUCTION:**

Our 10 Year Plan, 'Delivering for America,' builds upon our existing commitment to grow and retain First-Class Mail revenue by strengthening the value of mail. The real value of mail is the connection it creates. The Postal Service has been reinforcing this connection through its strategic initiatives and partnerships. Our strategic initiatives include mail promotions and incentives, integration of digital technologies, and increase awareness of the value of mail. The Postal Service has also formed partnerships with industry associations to help drive the value of mail for businesses and individuals.

#### **STRATEGIC INITIATIVES:**

##### Promotions and Incentives:

The Postal Service's Promotions program seeks to retain and grow mail volume, encourage mailers to integrate new technology into their mail pieces, and promote the value of mail. The two promotions specific to First-Class Mail helps the Postal Service achieve these goals:

- Personalized Color Transpromo Promotion is designed to incent the use of color and additional content in bills and statements to transform those transactional documents from a cost center into a profit center by fostering a better connection and response from customers.



## RESPONSES OF USPS WITNESS MONTEITH TO INTERROGATORIES OF NPPC

- Earned Value Promotion encourages remittance mailers to continue to provide return envelopes for remittances and orders.

There are other promotions available to First-Class Mail mailers; those promotions include Emerging Advanced Technology and Informed Delivery. The Emerging Advanced Technology promotion encourages mailers to incorporate emerging or new technologies into mail pieces, which will help mailers engage customers in new and exciting ways. The Informed Delivery promotion incentivizes mailers to connect their Direct Mail campaigns with their digital marketing campaigns to reach and engage customers.

We have measured the effectiveness of our promotions and incentives through year over year participation growth by volume and number of participants and by participants survey responses.

### **Combined First-Class Mail Promotions**

	2019	2020	Change
Volume	1.378M	1,329M	-4%
Revenue	\$536M	\$516M	-4%
Participants	192	219	14%

### **Digital Integration**

Our dedicated workforce continues to develop new tools that leverage mail data and enable better integration with digital media channels. Informed Delivery is the culmination of these efforts. The Postal Service developed Informed Delivery to provide a free notification service that gives consumers the ability to digitally preview their letter-sized mail pieces and manage their packages scheduled to arrive soon. It also allows organizations to connect their

## **RESPONSES OF USPS WITNESS MONTEITH TO INTERROGATORIES OF NPPC**

Direct Mail campaigns to digital marketing strategies, which allows organizations to gain access to multi-touch points to relevant audiences. Informed Delivery also provides organizations with aggregate pre- and post-marketing campaign data, which offer insights into campaign reach and results. The campaign data includes the number of users and the percentage of users who elect to receive Informed Delivery emails and the number and percentage of click-throughs—when a user interacts with digital content.

### Increase Awareness

The Postal Service is promoting these new tools and the value of mail by providing learning modules and content on [usps.com](https://usps.com). The learning modules and content communicates to marketers, businesses, and individuals the value and effectiveness of mail and highlights how mail fits in an omni-channel campaign, the integration of physical and digital, best practices, and facts on the power of mail. This content includes *USPS Mail Journey*, which is an interactive website that aims to help employees, customers, and others understand how mail bridges digital and physical communications. The site consists of several lessons that provides a fresh focus on the role of mail in the competitive media landscape. *USPS Mail Journey* has been an invaluable source of information that engages and sparks interest in mail.

The Postal Service also has a suite of tools, resources, compelling case studies, and tutorials located online at *USPSDelivers.com*, which provides marketers, businesses, and individuals with information regarding the value and effectiveness of mail. The Direct Mail Basics segment includes several articles and white papers to inspire greater use of First-Class Mail. For example, one article entitled “4 Ways to Grow Your Business with Metered Mail” provides small businesses with helpful information relating to how sending metered mail can

## **RESPONSES OF USPS WITNESS MONTEITH TO INTERROGATORIES OF NPPC**

help small businesses save and grow.<sup>1</sup> It explains how a postage meter can make sending mail quicker and less expensively, and how businesses can boost their brands by using their meters to add customized messages to envelopes.

### **Partnerships with Industry Associations:**

To mitigate the decline of First-Class Mail, the Postal Service continues to grow and develop partnerships with industry associations. Through these partnerships, the Postal Service works to promote the value of First-Class Mail. For example, Postal Service leadership regularly presents to industry associations, such as National Postal Policy Council, all the ways that the Postal Service is stemming the decline of First-Class Mail revenue. See Attachment 1, Steve Monteith, “National Postal Policy Council” presentation (Dec. 8, 2020).

Another example is when the Postal Service partnered with the Greeting Card Association to survey consumers on how they stay connected during the COVID-19 pandemic.<sup>2</sup> The COVID Mail Attitudes survey found that the majority, or 65 percent of respondents, said that receiving “cards and letters from family and friends lifts my spirits during this time” while 62 percent said that “receiving a card or letter in the mail makes me feel more connected during social distancing.” Another 60 percent said it means more to me to receive a card or letter in the mail than an email, while 55 percent said they feel less isolated when receiving a card or letter in the mail.

At all levels of the organization, the Postal Service partners with industry to promote the value of mail. Our dedicated Sales Force alongside our Business Development Teams, Small Business Partners, Postmasters, District Managers

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<sup>1</sup> The article can be found at: <https://www.uspsdelivers.com/4-ways-to-grow-your-business-with-metered-mail/>

<sup>2</sup> Additional information about the survey can be found here: <https://postalpro.usps.com/market-research/covid-mail-attitudes>. I referenced this survey in my testimony on pages 5, 11.

## **RESPONSES OF USPS WITNESS MONTEITH TO INTERROGATORIES OF NPPC**

of Marketing, Business Mail Acceptance, and Customer Service, partner with 144 Postal Customer Councils, representing various segments of the industry, across the country to share the latest innovation and trends in the mailing industry to promote the value of mail. As a result of this strong partnership, the Postal Customer Council program has become an invaluable resource for business mailers, large and small. Local Postal Customer Councils serve as an open channel for USPS-to-business communication, providing information and best practices for achieving cost-effective and profitable mailing, education, and training, as well as solving local challenges.

### **Conclusion**

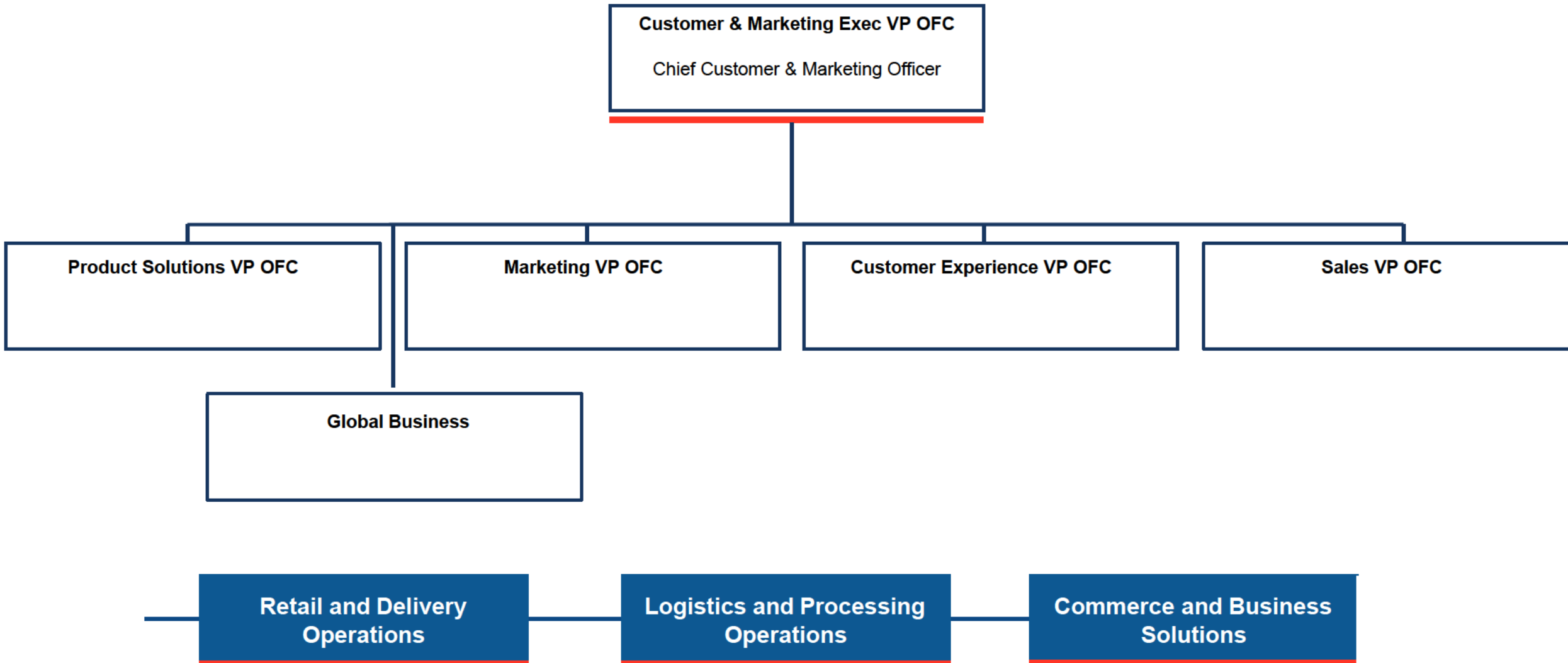
In sum, the Postal Service remains committed to retaining and growing First-Class mail volume. This commitment is embodied at every level of the organization through our investment in our strategic initiatives and operations to provide reliable mail delivery service to drive value for the sender and receiver of mail.

# National Postal Policy Council

# Organizational Changes

The USPS's new organizational structures will drive operational efficiency and growth.







# Market Research

## The Real Value of Mail Is The Connection it Creates.

**65%** Consumers Agree Mail Lifts  
Their Spirits

**64%** Feel More Isolated Due to  
Coronavirus

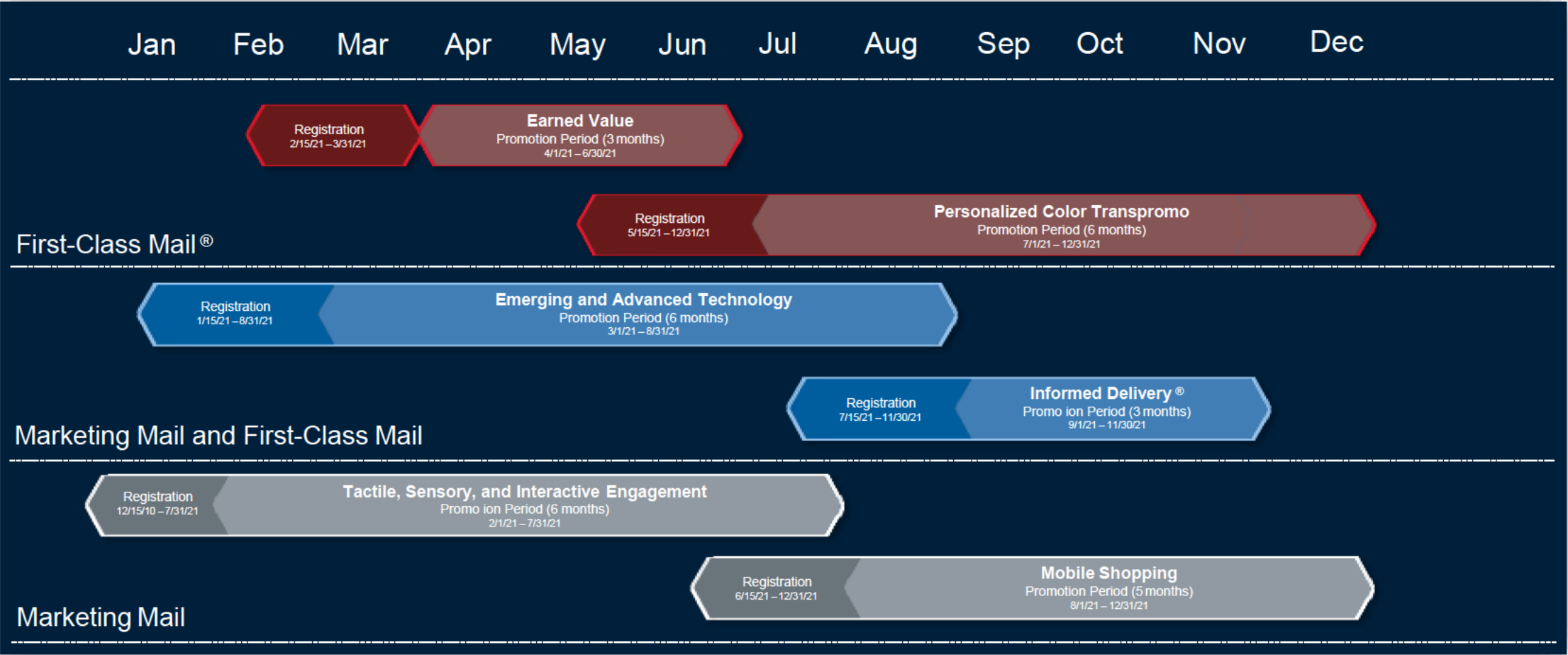
**52%** Feel More Connected to  
People Through the Mail

**#1** USPS is Most Trusted Brand  
in the Country

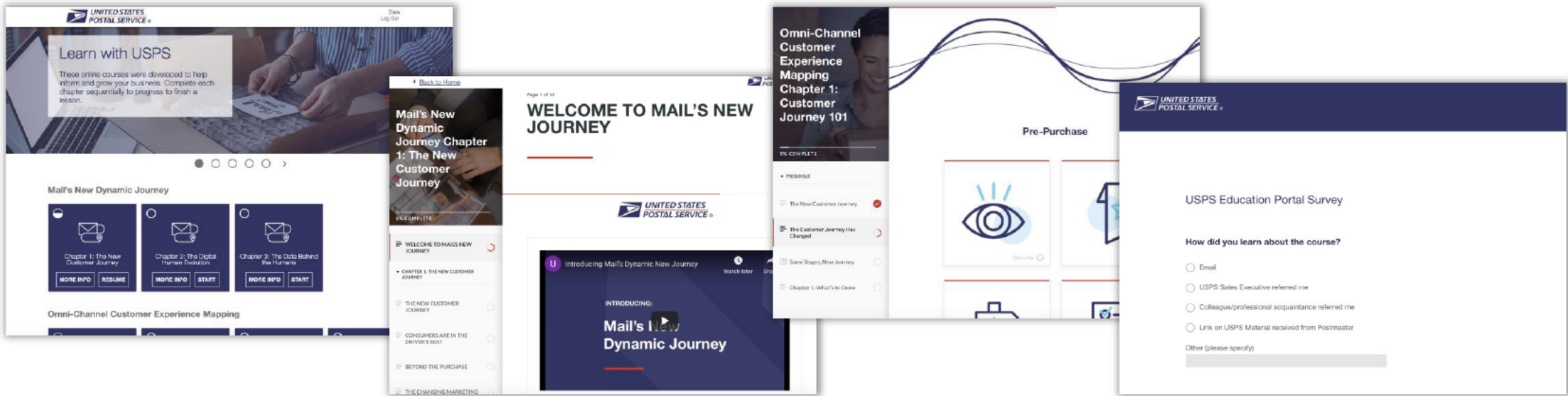




# USPS Initiatives

Increase recipient engagement with the mail piece.  
Increase the response rate and ROI for the mailer.









■ Marketing - Article | 5-min. read

## UNLOCK THE MARKETING POWER OF FIRST-CLASS MAIL® SERVICE

Many companies send First-Class Mail to their customers in the form of bills, invoices, receipts, statements, renewal forms or purchase confirmations. This is known as transactional mail.

With USPS®, up to 3.5 ounces of material can be included in the envelope for these types of mailpieces.<sup>1</sup> On average, though, businesses are utilizing only 1 ounce while still paying the price for 3.5 ounces.<sup>2</sup> This is like leaving money on the table—but with a little creativity, transactional mail can be turned into a powerful marketing tool.

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■ Marketing - Article | 4-min. read

## THE POWERFUL MARKETING POTENTIAL OF TRANSACTIONAL MAIL

For businesses today, it's high priority to understand how a customer wants to receive transactional communications. While a variety of digital alternatives have emerged, none of them cater to the basic preference of most customers: they want to receive these documents in the mail.

Transactional pieces like bills, invoices and statements are still the most read and opened pieces of mail: 96% of people open and read bills while 92% open and read statements.<sup>3</sup> Physical documents have value for both the recipient and the sender.

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■ Marketing - Article | 3-min. read

## 4 WAYS TO GROW YOUR BUSINESS WITH METERED MAIL

Mail is a cornerstone for many successful businesses. Sending monthly statements and occasional postcard campaigns helps companies grow and thrive.

As the volume of mail grows, many businesses find it hard to get to a Post Office™ location to calculate the exact postage for each piece. Instead, they estimate postage to save time, which ends up costing them.

One solution to save time and money? A postage meter. This tool makes sending mail quicker, less expensive and more customized. Here, we'll highlight four benefits of having your own postage meter.

For a more in-depth analysis of metered mail's benefits, see our article, "[Metered Mail 101: The Benefits of Digital Meters.](#)"

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## DELIVERY® INTERACTIVE CAMPAIGN TODAY

Put your mail in your customers' email with Informed Delivery® from USPS®. Daily emails offer your customers a peek into their mailbox from anywhere and, for you, one mailing delivers two impressions to help achieve your business KPIs.

Here's a step-by-step guide to Informed Delivery® for business mailers.

[Let's go](#)

Share: [in](#) [twitter](#) [facebook](#) [email](#)

### Benefits

Implement an Informed Delivery® interactive campaign. Consumers love it—up to 93% would recommend the service to friends, family, and colleagues.<sup>4</sup>



**32.7M**

Registered Users

**27.1M**

Email-enabled Users

**61.03%**

Average Email Open Rate

**201K+**

Weekly User Registrations

**75,920**

Completed Campaigns

**5,290**

Active Campaigns





# Holiday 2020

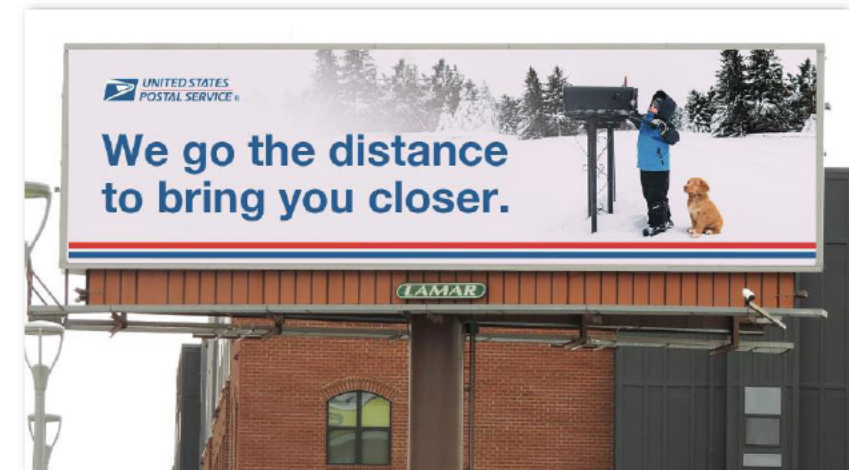
## Multi-Channel Campaign Approach – Physical

11/15 – 12/28

### Retail Signage



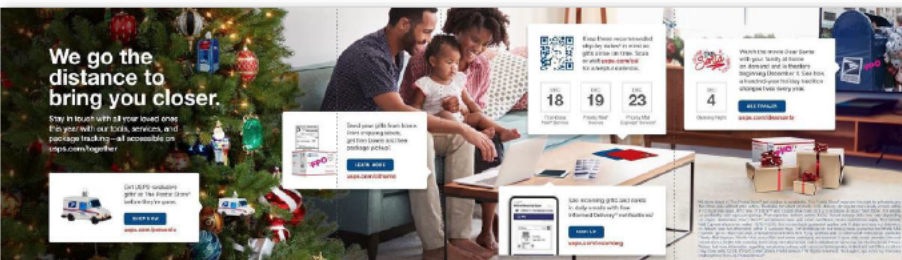
### Out of Home



## Multi-Channel Campaign Approach – Print

11/15 – 12/28

### Direct Mail



### Print Ad



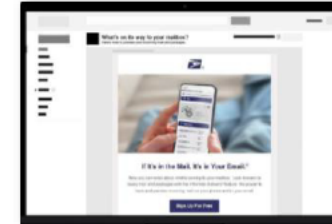
## Multi-Channel Campaign Approach – Digital

11/15 – 12/28

### Standard Banners



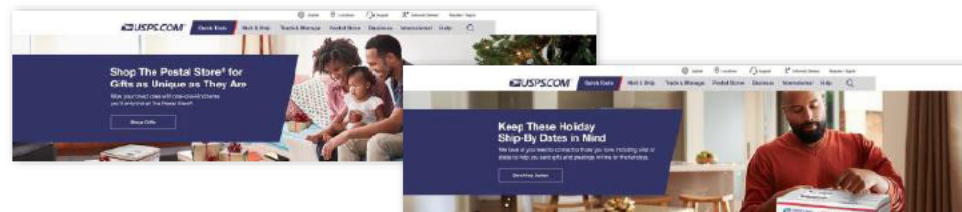
### Email



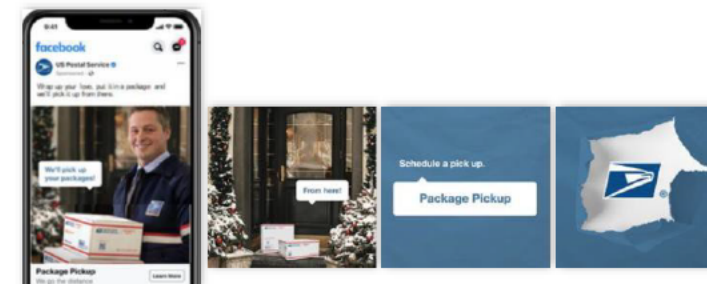
### QR Code Landing Page



### USPS.com Promo Banners



### Social





## Multi-Channel Campaign Approach

11/15 – 12/28



## Multi-Channel Campaign Approach – Blog | Holiday Newsroom | Peek into Peak | Infographics

### 2020 Holiday Newsroom

- Oct 06 – Press Release: Military Shipping Deadlines
- Oct 08 – Press Release: Domestic/Int'l Deadlines
- Oct 13 – Blog: Mailing Tips
- Oct 19 – Blog: Shipping Deadlines
- Oct 26 – Blog: Keeping Packages Safe
- Nov 02– Blog: How to Mail a Package
- Nov 04– Press Release: Shipping Restrictions
- Nov 09– Press Release: Holiday Volume
- Nov 09– Blog: USPS Operation Santa
- Nov 16– Press Release: USPS Operation Santa
- Nov 23– Press Release: Cyber Monday
- Nov 23– Blog: Small Business Saturday
- Dec 04– Press Release: Operation Santa Launches
- Dec 14– Press Release: Busiest Week

[usps.com/holidaynews](https://usps.com/holidaynews)

**HOLIDAY NEWSROOM**

**5 Ways to Protect Mail and Packages**

- Don't leave packages unattended for any length of time.
- Won't be home? Use Hold for Pickup option at [usps.com](https://usps.com)
- Leaving town? Use the USPS Hold Mail® service by using [usps.com](https://usps.com) Tracking® Number.
- Services like Signature Registered Mail®.

**TIPS TO AVOID A SHIPPING GLITCH**

- Properly address packages: Include both "to" and "from" information and only on one side.
- Place a card inside with delivery and return addresses.
- Never guess a ZIP Code™: This helps postal employees deliver the item should the mailing label become damaged or fall off.
- Look up a ZIP Code™ at [usps.com/zip4](https://usps.com/zip4) Tools. No ZIP is better than a WRONG ZIP.
- Include an exact weight and dimensions (e.g. 12.5 lbs. x 12.5 in. x 12.5 in.)
- Use an accurate scale to weigh your package.
- Make sure it weighs 70 pounds or less.
- Select a durable box to protect contents.
- Priority Mail® and Priority Mail Express® boxes are free at Post Office locations.

**HOLIDAY FACTS and INFO**

- Busiest mailing, shipping and delivery week
- Between 11.5 and 12.5 billion total pieces of mail are processed and delivered this holiday season — That's up from 11.5 billion in 2019 (2019: 13B | 2018: 16B | 2017: 15B | 2016: 16B | 2015: 15.5B)
- The Postal Service is projecting between 900 million pieces of mail to be delivered this holiday season (2019: 812M | 2018: 955M)
- Approximately 225 million packages are expected to be delivered this holiday season and about the same the week prior — roughly 32 million
- More than 11 million packages are expected to be delivered this holiday season, beginning Nov. 29 (2019: 8M | 2018: 8M)
- Approximately 2.9 billion pieces of mail, including cards, are expected to be processed and delivered during the week of Dec. 14
- Dec. 14 is expected to be the busiest day for [usps.com](https://usps.com) with more than 13 million users predicted to visit on that day alone | More than 7 million users on regular days

[USPS.COM/HOLIDAYNEWS](https://usps.com/holidaynews)

**#PostalProud**

**PEEKintoPEAK™**  
A daily look across the district.

**What makes you Postal Proud about Peak?**

We're Postal Proud on Red Friday at the Southern Maine P&DC. Remembering All of Those Deployed.

Submitted by Joe Dienes, Mail Handler Group Leader, Southern Maine P&DC, Scarborough, ME 04074

Volunteers pictured left to right: Randall Groves USN, USCG Ret., Emel Arsenault USMC USN, Rick Grenier USAF, Arnyak Maitre US Army USAF Ret., Ron News US Army, BW Street USN, Mark Muehly USCG, Joe Dienes USAF

Picture yourself here. Email [PostalProud@usps.gov](mailto:PostalProud@usps.gov)

# Questions +Answers

## RESPONSE OF USPS WITNESS MONTEITH TO INTERROGATORY OF POSTCOM REDIRECTED FROM WITNESS WHITEMAN

**PostCom/USPS-T2-2.** Please refer to page 4 of your testimony, where you claim that volume declines in USPS Marketing Mail are “mainly due to the increasing diversion of advertising spending from USPS Marketing Mail to digital media.” \* \*

- c. What steps has the Postal Service taken to arrest or slow the decline in Marketing Mail volume? For each specific effort, please provide any analysis indicating how effective that effort has been. If no analysis of the effectiveness of an effort has been undertaken, please so state.

### RESPONSE:

#### INTRODUCTION:

The Postal Service has been and remains committed to growing and retaining revenue. Every day our entire workforce embodies this commitment by continuously promoting the value of mail through communication, education, and inspiration. Our dedicated **Sales Force** alongside our Business Development Teams, Small Business Partners, Postmasters, District Managers of Marketing, Business Mail Acceptance, and Customer Service especially embodies this commitment. They work tirelessly to grow and retain revenue through educating and inspiring stakeholders on the value of mail. Their commitment is best demonstrated through their work and partnership with **144 Postal Customer Councils** across the country, representing various segments of the industry, to share the latest innovation and trends in the mailing industry to promote the value of mail.

#### STRATEGIC INITIATIVES:

The 10 Year Plan, ‘Delivering for America,’ builds upon our commitment to grow and retain mail revenue. As outlined in the plan, the Postal Service intends to continue to strengthen the value of mail to drive greater value for the sender



## **RESPONSE OF USPS WITNESS MONTEITH TO INTERROGATORY OF POSTCOM REDIRECTED FROM WITNESS WHITEMAN**

by developing new tools that leverage mail data and enable better integration with digital media channels, and by providing new programs, resources, and offerings designed to enable greater use of mail by businesses of all sizes. This includes the continued enhancement of our Informed Delivery platform, which currently has over 37 million subscribers covering 28.5 million households, where customers can preview mail and packages to be delivered that day. By raising awareness on how mail works, the value of direct mail, and leveraging data to synch up the mail experience with the digital experience provides the customers with greater visibility and return on investments.

The Postal Service has established strategic goals to strengthen the value of mail and increase revenue, customer satisfaction, engagement, and product enhancements including developing tools and innovated programs that sustain the value of the mailbox. Each strategic initiative has a specific set of measures to track performance aligned to optimize short-term performance and building long-term capabilities.

The strategic initiatives encompass two broad categories: (1) **Mail promotions and incentives** to encourage new technologies and effective integrated mail and marketing campaigns and (2) **Education of current and the next generation of marketers** on the value of mail.

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### MAIL PROMOTIONS AND INCENTIVES:

Since 2012, the Postal Service has been incenting mailers to integrate technology and innovative print techniques into direct mail campaigns to:

- Promote integration of mail with digital channels
- Drive long term mail growth and retention
- Increase consumer engagement and ROIs for marketers
- Add value for First-Class Mail and Marketing Mail

We measure the effectiveness of these promotions in numerous ways:

- Year over year participation growth by volume and number of participants
- Participant survey responses

In 2020, over 13.3 billion mail pieces qualified for a postage discount.

While this represented a volume decline from prior year promotion volume, the declines in promotion volume were smaller than the declines in the corresponding mail class volumes for those time periods.

#### All Marketing Mail Promotions

	2019	2020	Change
<b>Volume</b>	13,807M	11,583M	-16%
<b>Revenue</b>	\$2,921M	\$2,421M	-17%
<b>Participants</b>	1,399	1,487	6%

The Postal Service offers an array of promotions and incentives to its mailers. Some notable examples include:

**Informed Delivery (ID)** allows organizations to connect their Direct Mail

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campaigns to digital marketing strategies by providing users with the ability to preview their mailpieces before it arrives—straight from an email notification, USPS mobile app, or via an online dashboard.

The Postal Service conducted extensive marketing and consumer outreach and implemented strategies to drive consumer adoption of ID. These efforts were successful as over 30 million consumers have joined ID. This is yet another example of the Postal Service increasing the value of mail. With ID, the Postal Service laid the foundation for Marketing Mail customers to gain access to multi-touch points to the customers and prospective customers.

In order to increase the adoption rate of ID and help marketers improve the results of their ID campaigns, the Postal Service began offering a three-month promotion for ID in CY 2019. During the promotion period, marketers receive a 2 percent discount on postage for implementing an ID Campaign. In 2020, the total volume of mail participating in the promotion went from 2.6 billion pieces in 2019 to 3.2 billion pieces in 2020 (a 23 percent increase). The ID Promotion, like our other promotions, allowed mailers to test the service and see how it adds value to their mail. As seen in the charts below, the promotion was successful in bringing new users to ID, and it was also successful in integrating customers' direct mail and digital campaigns.

**Informed Delivery Marketing Mail Participation 2020 vs 2019**

	<b>2019</b>	<b>2020</b>	<b>Change</b>
<b>Volume</b>	2,411M	2,991M	24%
<b>Revenue</b>	\$509M	\$604M	19%
<b>Participants</b>	376	613	63%

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<b>Informed Delivery First-Class Mail Participation 2020 vs. 2019</b>			
	<b>2019</b>	<b>2020</b>	<b>Change</b>
<b>Volume</b>	217M	237M	9%
<b>Revenue</b>	\$82M	\$92M	12%
<b>Participants</b>	102	131	28%

As the market conditions change (i.e., we saw volume declines and advertising spend shift to digital channels), we developed an innovative solution called **Plus One** and it was favorably reviewed by the PRC as a market test in October 2019. The current Plus One market test allows USPS Marketing Mail Saturation Letter marriage mailers (those who combine advertising into one envelope) to add a card to be delivered with each marriage mail piece. This allows small businesses who normally include their advertising inside the envelope the opportunity to try quasi-solo direct mail advertising at a lower price. This effort helps the mailers, the advertisers, and the Postal Service to slow the decline in USPS Marketing Mail volume. The Postal Service is in the process of analyzing the results of this market test to determine if Plus One should be filed with the PRC as a new (permanent) product offering.

**EDUCATION OF CURRENT AND THE NEXT GENERATION OF MARKETERS:**

The Postal Service is committed to providing educational resources to the current and next generation of marketers to increase awareness of the value of mail. These resources are described in greater detail below.

The Postal Service has a suite of tools, resources, compelling case studies, and tutorials located online at [USPSDelivers.com](https://USPSDelivers.com), which provides

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marketers, businesses, and individuals with information regarding the value and effectiveness of mail.

Some examples include **Direct Mail 101** an interactive tutorial that takes a customer through everything he or she needs to know about Direct Mail. The Direct Mail Innovation segment includes several articles and white papers to inspire and share ways brands are connecting with consumers and how to implement these strategies and tactics into a Direct Mail campaign. Our online content also provides way for businesses to measure the impact of their Direct Mail campaigns. Our marketing impact calculator measures marketers' return on investment and value of the campaign content. We also offer online tools that assist marketers with pricing their Direct Mail campaigns. This content demonstrates our commitment to engage, educate, and communicate the value of mail.

In addition, the Postal Service has continued to showcase the power of mail through the following published mediums:

- **Evolution of a Medium** – A resource filled with compelling case studies and powerful USPS marketing solutions. It focuses on bridging the gap between print and digital to engage customers on multiple channels to create hyper targeted direct mail campaigns.
- **Next Generation Campaign Awards** – This book recognizes those who have created engaging, creative direct mail campaigns by incorporating interactive technologies. It also showcases award winners and the actual mail pieces used in campaigns.

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- **Irresistible Book** – This publication features practical samples of direct mail created for a variety of industries. These direct mail pieces integrated print techniques and emerging technologies in ways that helped inspire new ideas in engaging consumers.

Each year we host our **National Postal Forum** Conference, which began in 1968 and is the nation's largest mailing industry educational conference that provides valuable information to representatives of small and large businesses, nonprofit organizations, state and local governments, and colleges and universities on how to use the mail as an integral part of educational and marketing campaigns. Attendees also hear about the latest innovations and trends in the mailing industry.

To engage the next generation of marketers by demonstrating the power of direct mail in integrated marketing campaigns, and by inspiring them to use direct mail throughout their careers the Postal Service developed the **Direct Effect** platform in March 2019.

The Direct Effect® program's mission is to educate the next generation of marketers on the value of mail and omni-channel campaigns through outreach to and collaboration with colleges and educational organizations. This fits into a bold approach to growth, innovation, and continued relevance by strengthening the value of mail. The program has developed content and resources by working with academia and the industry to offer curriculum—experiential Direct Effect® Innovation Challenges and the online Direct Effect® Micro-Credential—and a variety of other opportunities for educators and students alike.

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Additional program benefits include:

- Introducing students to role models in the printing, mailing, and marketing industry.
- Sharing the value of mail among faculty, students, and collaborating businesses.
- Creating internship and job opportunities for students.
- Providing local businesses with fresh, student-led mail marketing thought.
- Engaging college students in research around the next generation of consumers and marketers.

As a result of the COVID pandemic, postal leaders working collaboratively with industry and academic partners shifted from classroom to an online e-learning platform and built the programs initial online micro-credential modules. Currently, the program has 100 colleges and universities participating. Of those colleges and universities, 172 faculty members have incorporated the program into their curriculum, and 4,300 students have completed the academic certification. Direct Effect will continue to build upon its success by expanding educational content and building relationships and growing awareness with college and universities, marketing educators, students, and other allied organizations to continue to embrace our role as a binding the nation together.

### **CONCLUSION**

In sum, mail is a uniquely powerful tool for reaching consumers, especially in combination with other media channels—with direct mail accounting for nearly ten percent of the nation's total marketing spend—we will continue to invest in our strategic initiatives to drive value for the sender and receiver of mail.

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**PostCom/USPS-T5-1.** Please refer to page 36 of USPS-T-5 and the statement, the “Postal Service estimates that the proposed changes to service standards could increase average delivery time by as much as 18 percent within the affected delivery networks.”

- a. Please identify the Postal Service source for this 18 percent estimate in increase in average delivery time.
- b. Please explain the derivation of this estimate and provide supporting workpapers and calculations.

**RESPONSE:**

Please see USPS witness Steven W. Monteith’s response to Question 29 of Presiding Officer’s Information Request No. 1 and accompanying Library Reference filed on May 17, 2021.



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**PostCom/USPS-T5-2.** Please refer to USPS T-5 at pages 36-38 and Library Reference Library Reference LR-N2021-1-5. Please confirm that in applying the 18% increase in average days to delivery figure to determine the financial impact of the changes, Witness Thress applied the 18% against the entire volume of the particular category. For instance, please confirm that Mr. Thress's determination that an 18% increase in average days for delivery for FCM Workshare Mail would reduce volume by 0.65%, or 240.2 million pieces of mail, which results in \$53.9 million in lost contribution, is derived by applying the 18% figure against the entire volume of FCM Workshare Mail, regardless of whether mail within that category would actually experience a change in service standards.

- a. Did Mr. Thress or the Postal Service attempt to determine the increase in average days to delivery only for the mail that will experience a change in service standards?
  - 1. For instance, the Postal Service states that 61% of FCM will keep its current service standards under the proposal. Did the Postal Service provide Mr. Thress with an estimate of whether the average days to delivery for this mail would change?
  - 2. Did the Postal Service provide Mr. Thress with the anticipated change in average days to delivery that the 39% of First-Class Mail that will see a reduction in service standards will experience?
- b. Please confirm that Mr. Thress did not attempt to model the financial impact of the proposed changes on only those pieces of mail that would experience a change in service standards.

### **RESPONSE:**

- a. No.
  - 1. No.
  - 2. No.
- b. Confirmed.

We believe that modeling the financial impact of only those mail pieces impacted by the proposal would be inappropriate given postal market dynamics. Mailers make the decision whether to enter mail pieces with the Postal Service.

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Whether, and to what degree, the proposal impacts each individual mailer is a fact intensive inquiry that is unique to each mailer. For example, forty percent of a given mailer's volume may be impacted by the proposal, whereas sixty percent of the volume may remain unaffected. Some mailers may decide to divert additional volume to electronic alternatives based on the 40% impact, but other mailers may not. Additionally, we have also found that Presort mail volumes have lower sensitivity to changes in delivery time. See Direct Testimony of Thomas E. Thress on Behalf of the United States Postal Service (USPS-T-5), PRC Docket No. N2021-1 (Apr. 21, 2021), at 37. This suggests that Presort mailers may be able to mitigate or avoid the effects of changes in delivery time by entering mail further into the Postal Service's network.

Given the fact-intensive nature of the inquiry, we assumed that mailers make decisions based on the aggregate, or how the proposal impacts each individual mailer's volume on the average. This assumption is consistent with my understanding of postal market dynamics and most mailers' decision-making. Thus, I believe modeling the financial impacts of only the impacted mail volume would provide an inaccurate estimate of contribution loss. See USPS witness Thomas E. Thress's response to Question 29(f) of Presiding Officer's Information Request No. 1 filed on May 17, 2021

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**PostCom/USPS-T5-3.** Does the Postal Service expect the average days to delivery to change for mail volumes that will not experience a change in service standards under the proposal?

- a. If yes, please indicate the expected change in average days to delivery for any mail that will not experience a change in service standards and provide any supporting research, calculations, or analysis.
- b. If yes, did the Postal Service provided this information to Witness Thress? Please explain why or why not.

**RESPONSE:**

- 3. No. But, the overall average days to delivery may improve once the Postal Service achieves its performance target of 95 percent.
  - a. N/A.
  - b. N/A.

## **RESPONSE OF USPS WITNESS MONTEITH TO INTERROGATORIES OF POSTCOM REDIRECTED FROM WITNESS THRESS**

**PostCom/USPS-T5-4.** Please refer to USPS-T-5 at page 8 and the chart “Average Days to Delivery vs. Mail Volume: First Class Workshare Mail,” and the tab “Data” in the “Thress” spreadsheet in Library Reference LR-N2021-1-5. Please confirm that the average days to delivery for First Class Workshare Mail did not exceed 2.4 days between FY 2009 Q3 and FY 2020 Q3.

- b. Has Witness Thress or the Postal Service determined the average days to delivery for First Class Workshare Mail currently subject to a 3-day service standard?
- c. Please refer to USPS-T-3 (Hagenstein) at page 22 and the statement that “approximately 47 percent of FCM presently subject to a three-day service standard will remain as three-day” under the proposed changes.
  - i. Please confirm that 53% of FCM presently subject to a three-day service standard will have either a four- or five-day service standard when the proposed changes are implemented.
  - ii. If the answer to Question 4.c. is confirmed, has the Postal Service estimated or projected the average days for delivery it expects this 53% of FCM to experience when the new service standards are implemented?
    - 1. If no, why not?
    - 2. If yes, please provide any supporting analysis or calculations for the estimated or projected average days to delivery.
    - 3. Does the Postal Service expect the average days to delivery for mail subject to a four or five day service standard under the proposed changes to be 2.4 days or less? If yes, please indicate the expected change in average days to delivery for any mail that will not experience a change in service standards and provide any supporting research, calculations, or analysis.

### **RESPONSE:**

- b. Not to my knowledge.
- c.
  - i. Based on my understanding of USPS witness Stephen Hagenstein’s testimony, the answer is confirmed.

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ii. No.

1. We believe such calculations would be unnecessary as we looked at the representative impact. Please see my response to PostCom/USPS-T5-2(b).

2. N/A

3. No.

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**Question 27.** Please refer to USPS-T-4, in which witness Monteith states, "End-to-end Periodicals volume has declined by 20 percent from FY 2015 to FY 2019." USPS-T-4 at 3. Please provide the sources and any underlying calculations for deriving the 20 percent figure quoted above.

**RESPONSE:**

The End-to-End Periodicals volume was derived from Periodicals MCS documented in Folder 14. The data shown in the attached Excel file is not explicitly presented in the ACR filings but the methodology of the MCS is described in the Preface of Folder 14 and the data were derived from this database. The underlying data is volumes and contains sensitive customer data.

- USPS-FY15-14 - Mail Characteristics Study (Public Portion) ACR 2015
- USPS-FY19-14 - Mail Characteristics Study (Public Portion) ACR 2019

End-to-End volume is computed as the sum of volume entered at Origin BMC, Origin ADC and Origin SCF.

The underlying calculations deriving the 20 percent figure are provided in USPS-LR-N2021-1-8, End-to-End Periodicals Volume.

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**Question 28.** In USPS-T-4, witness Monteith states, "The lower sensitivity of Presort mail to changes in Delivery Time is an important finding. It suggests that the estimated impact to [First-Class Mail] is unlikely to be significant given that Presort Letters account for 65 percent of overall [First-Class Mail] volume and Single-Piece Letters is 28 percent." *Id.* at 15.

- a. Please provide the percentage of Presort First-Class Mail subject to the proposed changes in service standards.
- b. Please provide the percentage of Single-Piece First-Class Mail subject to the proposed changes in the service standards.
- c. If the Postal Service is unable to provide these percentages please explain.

**RESPONSE:**

- a. 47 percent of Presort First-Class Mail will be impacted by the changes in service standards.
- b. 22 percent of Single-Piece First-Class Mail will be impacted by the changes in service standards.
- c. N/A.

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**Question 29.** In USPS-T-4, witness Monteith states, "To develop the projections, Thress evaluated the impact to [First-Class Mail] volume if Delivery Time increased by 18 percent as a result of the proposed service standard changes." *Id.* Please also refer to USPS-T-4 stating, "To develop the projections, Thress evaluated the impact to Periodicals if Delivery Time increased by 18 percent as a result of the proposed service standard changes and holding price and costs constant." *Id.* at 17. Lastly, please refer to Direct Testimony of Thomas E. Thress on Behalf of the United States Postal Service (USPS-T-5), April 21, 2021, in which witness Thress states, "The Postal Service estimates that the proposed changes to service standards could increase average delivery time by as much as 18 percent within the affected delivery networks." USPS-T-5 at 36.

- a. Please explain why the increase in delivery time is estimated to be the same for First-Class Mail and Periodicals and provide basis for such an assumption.
- b. Please confirm that the 18 percent figure referenced above refers to the change in expected Delivery Time from comparing the old and new service standards and not the change in actual Delivery Time as a result of adopting the proposed service standards.
- c. If not confirmed, please explain what specifically the 18 percent refers to and how the Postal Service defines "Delivery Time."
- d. Please provide the underlying calculations, for both First-Class Mail and Periodicals if there are separate calculations and including references to initial source(s), for deriving the 18 percent figure referenced above.
- e. Please confirm whether it is possible to derive or the Postal Service currently possesses corresponding estimates for the increase in Delivery Time for specifically affected classes and products of First-Class Mail and end-to-end Periodicals. If not confirmed, please explain why it is impossible for the Postal Service to procure such estimates.
- f. If question 29.e. is confirmed, please explain whether it would be possible to feed more granular inputs of increase in Delivery Time through witness Thress's models to estimate volume loss, and subsequently the effect on contribution, for specific products and classes in USPS-T-5. If not confirmed, please explain why it is not possible to feed in the more granular inputs into the model and estimate product and class-specific contributions.

**RESPONSE:**

- a. We provided the 18 percent input to witness Thress to be applied to both First-Class Mail and Periodicals volumes because the end-to-end Periodicals volume impacted by the proposed service standard change traverses our network along with First-Class Mail volume and for the sake of simplicity.
- b. Confirmed.



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- c. N/A.
- d. Please see USPS-LR-N2021-1-9, 18 Percent Input.
- e. It is possible to derive increases in Delivery Time for (1) Presort Letters & Cards, (2) Presort Flats, (3) Single-Piece Letters & Cards, and (4) Single-Piece Flats.

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**Question 30.** In USPS-T-4, witness Monteith states, "Further, all Periodicals are likely to be more sensitive to changes in Delivery Time as compared to end-to-end Periodicals due to the inclusion of more time-sensitive mail pieces, thus the forecasted impact is likely to be overestimated." USPS-T-4 at 17. Please provide all quantitative metrics used to support the claim that end-to-end Periodicals are less time-sensitive than Periodicals in general. If no quantitative metrics are available please explain the basis for this claim.

**RESPONSE:**

End-to-end Periodicals are not entered at a destinating facility and typically travel from Zones 3 to 9. The chart below shows that (1) 74% of all Periodicals volume entered at destinating facility is within Zones 1 and 2 or closer; (2) 77% of daily and weekly Periodicals is within Zones 1 and 2 or closer; and (3) 78% of Periodicals volume that travel from Zones 3 to 9 are monthly or quarterly.

FY 20 Periodicals - Copies by Entry and Frequency						
	DDU	DSCF	DADC	Zone1&2	Zone3-9	Total
Quarterly	2,176,713	515,238,880	7,954,312	58,707,934	245,203,457	829,281,296
Monthly	4,711,063	1,485,788,190	24,615,665	131,555,645	560,515,141	2,207,185,704
Weekly	26,492,858	463,714,193	12,303,644	107,435,323	177,442,936	787,388,954
Daily	<u>29,183,611</u>	<u>52,969,581</u>	<u>1,842,623</u>	<u>38,452,706</u>	<u>46,903,200</u>	<u>169,351,721</u>
Total	62,564,245	2,517,710,844	46,716,244	336,151,608	1,030,064,734	3,993,207,675
% total	2%	63%	1%	8%	26%	100%
Percent of Entry						
Quarterly	3%	20%	17%	17%	24%	21%
Monthly	8%	59%	53%	39%	54%	55%
Weekly	42%	18%	26%	32%	17%	20%
Daily	47%	2%	4%	11%	5%	4%
Total	100%	100%	100%	100%	100%	100%

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**Question 31.** In USPS-T-4, witness Monteith states, “We [the Postal Service] had productive discussions regarding the initiative during which [Postmaster General’s Mailers Technical Advisory Committee (MTAC)] members provided insightful feedback . . . [Areas Inspiring Mail (AIM)] members also provided insightful feedback on the initiative. The Postal Service also has an array of established communication channels for consumers and small businesses . . . . We hosted webinars for business mailers to introduce and discuss the proposal as well as to answer any questions and receive feedback. For the general public, our employees at customer care centers are knowledgeable about the proposed service-standard changes and can answer most questions about the initiative. These employees can also receive feedback.” *Id.* at 22-24. In USPS-T-4 witness Monteith also states, “Postal Service officials informally meet with groups whom raised concerns about the proposal. For example, officials met with remittance mailers, election officials, and periodical mailers to identify and address their concerns and answer questions.” *Id.* at 25 n.74. Please also refer to feedback received during the pre-filing conference, which took place on April 6, 2021, and the technical conference, which took place on April 30, 2021. Please provide examples of feedback and/or “concerns” received from various stakeholders, and the Postal Service’s response to these concerns, including but not limited to:

- a. MTAC
- b. AIM
- c. election officials
- d. rural and urban customers
- e. seniors
- f. veterans
- g. contiguous and non-contiguous U.S. customers
- h. middle-class customers and low-income customers
- i. large and small-business customers
- j. prescription mailers
- k. remittance mailers
- l. end-to-end Periodical mailers
- m. marketing mailers
- n. transactional mailers
- o. Postal Service employees
- p. the general public

**RESPONSE:**

We have ongoing discussions regarding the service standard proposal with members of the industry that represent subparts (a)-(p) in POIR No. 1, Question #31.

Specifically, Executive Leadership met with Mailers’ Technical Advisory Committee (“MTAC”) on March 30, 2021 and presented the 10 Year Plan, ‘Delivering for America’ (“the Plan” or “Delivering for America Plan”), which includes the service

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standard proposal. There were over 600 attendees at the March 30th presentation. On March 31, 2021, the industry participated in a full day of focus group sessions in which industry could raise issues and concerns to Postal Service leadership. Issac Cronkite presented the Plan to Central Area Areas Inspiring Mail ("AIM") with approximately 420 attendees.

Prior to the release of the Delivering for America Plan, the Postal Service held multiple meetings with the leadership of industry associations where elements of the Plan under consideration were discussed. Industry was able to provide feedback on items under consideration such as service standards and pricing. Also prior to the release of the Plan, the Postal Service met with the leadership and membership of three key industry associations: National Postal Policy Council, National Association of Presort Mailers, and the National Newspaper Association. The proposed service standards changes were among the items discussed at these meetings, and we received feedback on those proposed changes among other items relating to the Plan.

After the release of the Delivering for America Plan, the Postal Service held meetings with the leadership and membership of 11 key industry associations to discuss the Plan. The Plan was covered at high level, including the proposed service standard changes, and each association had the opportunity to raise their concerns, if any, and ask questions. We met with the following associations: American Forest & Paper Association, Envelope Manufacturers Association, Parcel Shippers Association, Association of Magazine Media, American Catalog Mailers Association, Saturation Mailers Coalition, Major Mailers Association, Alliance of Nonprofit Mailers, Greeting

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Card Association, International Mailer's Advisory Group, and the Association for Postal Commerce.

In April 2021, the Postal Service provided a briefing on the "Delivering for America" Plan to the Postal Customer Council ("PCC") leadership. It included both Postal Service and industry leadership from the 144 PCC's nationwide. Almost 200 people were in attendance. We discussed the proposed service standards changes at the briefing and received feedback on those proposed changes.

Since the Plan's release, the Postal Service did two separate briefings with election officials. We briefed the leadership of the National Association of Secretaries of State ("NASS") and the National Association of State Election Directors ("NASED"). The other briefing was with the Secretaries of State and the State Election Directors. At both briefings, the proposed service standards changes were discussed, and feedback on the proposed changes was received.

In addition, the Postal Service held virtual meetings with customers from six different regulated industries: Utilities, Insurance, Banking / Mortgage, Credit Card, Healthcare / Pharmacy, and Telecom to discuss the potential impact of the proposed service standards changes on the industries. Lastly, District Managers meet with elected officials each quarter to share postal updates and address constituents' concerns. Previous updates have included discussions of the Delivering for America Plan generally and the proposed service standard changes.

The concerns raised in the context of the proposed service standard changes centered mostly around the grant of additional pricing authority to the Postal Service. Other concerns were related to customers' investigation of whether and how the

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proposed changes impact their businesses, both generally and from an operational perspective. Within that investigation, customers are trying to identify all potential issues and determine whether any of those potential issues are actionable. For example:

- Customers are assessing whether the proposed changes will impact billing cycles, and whether they will need to adjust billing cycles to account for the changes.
- Companies and consumer groups are trying to understand whether and how the proposal will impact the delivery times of remittances.
- Election officials assessing whether any geographic areas would be subjected to slower delivery times as a result of the proposed changes.
- Customers within regulated industries are evaluating whether the proposal implicates any regulatory requirements, or whether the proposal just implicates internal processes that set timelines for sending mail pieces.

As described above, many stakeholders are still trying to understand the proposal and assess the proposal's impact on their businesses. The Postal Service's response has mostly been to meet with stakeholders obtain feedback, provide additional information, and to assist stakeholders in understanding the proposal and assessing the proposal's impact on customers' businesses. For example, mailers requested that we release ZIP Code pairings so that they can analyze the impact of the service standards proposal. In response, we provided that information with witness Stephen Hagenstein's testimony. We have also shared the feedback received with postal leadership and highlighted customers' concerns in discussions relating to the proposal. We are also focused on

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improving communications with business mailers regarding remittance mail, the Postal Service established a Remittance Mail MTAC User Group that will provide the structure needed to support the industry and foster collaboration and improved communications. The Postal Service is deeply committed to ongoing productive discussions with our stakeholders about our goals for the future of the organization. We will continue to listen, learn, and support the industry through these changes.

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**Question 32.** In USPS-T-4, witness Monteith states "many customers have expressed general concerns about adjusting delivery times . . . ." USPS-T-4 at 25.

- a. Please provide additional information on the types of customers referenced above that have expressed concerns about adjusting delivery times.
- b. Please describe any trends that the Postal Service has identified, on different customer segments' responses to the proposal.
- c. Please confirm whether the Postal Service conducted analyses or surveys to gauge the impact of the proposal to adjust delivery times for First-Class Mail and end-to-end Periodicals on customers' satisfaction.
  - i. If confirmed, please provide the results of such analysis, including a discussion of trends for various customer segments, including but not limited to:
    1. rural and urban customers
    2. seniors
    3. veterans
    4. contiguous and non-contiguous U.S. customers
    5. middle-class and low-income customers
    6. large and small business customers
    7. prescription mailers
    8. remittance mailers
    9. end-to-end Periodical mailers
    10. marketing mailers
    11. transactional mailers
  - ii. If not confirmed, please explain why the Postal Service did not conduct such an analysis or survey.

**RESPONSE:**

- a. Types of customers that expressed concerns relating to adjusting delivery times at the prefiling conference (listed in no particular order): Business mailer associations; labor unions; consumer association and organizations; insurance companies; pharmacies; direct marketers; financial institutions; magazine publishers; printers, logistic companies; and telecommunications companies.
- b. Please see Witness Monteith's response to POIR No. 1, Question #31.



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- c. Not confirmed. Apart from the econometric analysis conducted by witness Thress, the Postal Service has not conducted any analyses or surveys specific to the proposal at issue in above-captioned docket. However, the Postal Service regularly conducts surveys (i.e., the BHT surveys) that gauge customer satisfaction as to the Postal Service's reliability and delivery performance.
- i. N/A.
- ii. In assessing the proposal, the Postal Service wanted to evaluate the impact of the proposal on all mailers. The econometric analysis performed by witness Thress isolates the impact of delivery performance on all First-Class Mail volume and by Single-Piece and Presort Mail. We believe the impact identified by Thress's model is the most representative of all mailers and did not find analyses on narrower segments of mailers to be necessary. However, we have been working with customers segments to assess and understand the proposal's impact on those segments and will continue to do so. Please see Witness Monteith's response to POIR No. 1, Question #31 for a description of those outreach efforts.

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**Question 33.** Please refer to USPS-T-4, Tables 2 and 3.

- a. Please reconcile why Table 2 indicates 0.456 billion pieces in First-Class Mail volume loss from FY 2011 to FY 2020 and Table 3 indicates 0.490 ( $0.490 = 0.473 + 0.017$ ) billion pieces in First-Class Mail loss over the same period.
- b. If either of the volume loss figures needs to be updated in Table 2 or Table 3, please confirm that Table 2 and Table 3 indicate the same amount of First-Class Mail volume loss from FY 2011 to FY 2020.

**RESPONSE:**

- a. The “-0.017” number in Table 3 should be positive, that is “0.017.” The impact of average delivery days on First-Class Presort Mail from FY 2011 to FY 2020 was (very slightly) positive. See Direct Testimony of Thomas E. Thress on Behalf of the United States Postal Service (USPS-T-5), PRC Docket No. 2021-1 (Apr. 21, 2021), at p. 21.
- b. Confirmed. The 0.456 figure in Table 2 is equal to the First-Class Single-Piece Mail value from Table 3 of 0.473 minus the (small) positive impact on First-Class Presort Mail ( $0.473 - 0.017 = 0.456$ ).

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**Question 34.** Please refer to USPS-T-4, Attachment 1 pertaining to Consumer and Commercial BHT for Q1 2021. Please also refer to USPS-T-4, in which witness Monteith states, "The top five drivers of customer satisfaction are: (1) reliability; (2) consistently delivers the mail when expected; (3) provides fast mail delivery; (4) 'keeps my mail safe;' and (5) delivers to the correct address." USPS-T-4 at 18.

- a. Please provide quarterly-updated Consumer and Commercial BHT results, as well as full appendices, for the past 3 years (*i.e.*, as early as Q1'18 results). Please file the relevant materials, under seal if necessary.
- b. Please discuss how the top five drivers of customer satisfaction have changed since FY 2017. Please include in your discussion how the relative importance of reliability and fast mail delivery have changed since FY 2017.
- c. Please explain how the Q1'21 Key Driver Index Score in the Q1 2021 BHT of Attachment 1 is calculated.
  - i. Please also confirm that the methodology for calculating this score is consistent for the past BHT results provided in the response to question 34.a.
  - ii. If not confirmed, please explain any changes in the methodology for calculating the score.
- d. Please explain how the survey sample in the Q1 2021 BHT of Attachment 1 is identified and contacted. In your response, please discuss whether the sample is composed of both commercial and individual mailers.
  - i. Please also confirm that the methodology for identifying and contacting the survey sample is consistent for the past BHT results provided in the response to question 34.a.
  - ii. If not confirmed, please explain any changes in the methodology for identifying and contacting the survey sample.
- e. Please confirm that the mail discussed in Q1 2021 BHT of Attachment 1 refers solely to First-Class Mail and end-to-end Periodicals. If not confirmed, please explain the meaning of "mail" in the context of the survey and whether mail in this context would include packages.
  - i. Please also confirm that the definition of "mail" is consistent for the past BHT results provided in the response to question 34.a.
  - ii. If not confirmed, please explain any changes to how "mail" is referenced by survey participants.
- f. Please provide a full list of the surveyed drivers of satisfaction in the Q1 2021 BHT of Attachment 1.
  - i. Please also confirm that the list of surveyed drivers of satisfaction is consistent for the past BHT results provided in the response to question 34.a.
  - ii. If not confirmed, please explain any changes to the lists of drivers of customer satisfaction which were surveyed.

**RESPONSE:**

- a. Unredacted copies of the Brand Health Tracker ("BHT") survey for each quarter from FY 2017 Quarter 4 to FY 2021 Quarter 1 were filed under seal within

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USPS-LR-N2021-1-NP5, "BHT Surveys." Please see USPS-LR-N2021-1-10, "BHT Surveys" for redacted copies of the aforementioned documents.

- b. The chart below shows how the top five drivers of customer satisfaction rankings have changed since FY 2017. Reliability has consistently been the most predictive driver in determining customer satisfaction. But, the relative importance of "fast" delivery has changed over time. For example, "fast" delivery dropped in ranking from #2 in FY 2019 to #4 in FY 2021.

We repeated the FY 2017 Key Driver Index scores in FY 2018, thus both fiscal years have the same Key Driver Index scores.

The remainder of this response was filed under seal as USPS-LR-N2021-1-NP5.

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**Top Five Drivers of Customer Satisfaction from 2017 to 2021**

<b>Q4'2017</b>	<b>Q1'2018*</b>	<b>Q1'2019</b>	<b>Q1'2020</b>	<b>Q1'2021</b>
Is reliable (182)	Is reliable (182)	Is reliable (160)	Is reliable (165)	Is reliable (158)
Delivers mail on time (125)	Delivers mail on time (125)	Provides fast mail delivery (159)	Consistently delivers the mail when expected (137)	Consistently delivers the mail when expected (144)
Provides fast mail delivery (123)	Provides fast mail delivery (123)	Keeps my mail safe (150)	Provides fast mail delivery (134)	Keeps my mail safe (131)
Delivers mail to the correct address (112)	Delivers mail to the correct address (112)	Consistently delivers the mail when expected (133)	Keeps my mail safe (132)	Provides fast mail delivery (122)
Offers a wide range of mailing products/services (87)	Offers a wide range of mailing products/services (87)	Delivers mail on time (126)	Delivers mail to the correct address (122)	Delivers mail to the correct address (112)

Sources: USPS Consumer and Commercial Brand Health Tracker Q1'21 – Mail Services, Feb. 2021, slide 56; USPS Consumer and Commercial Brand Health Tracker Q1'19 – Mail Services (full list of attributes), slide 1; USPS Consumer and Commercial Brand Health Tracker Q1'19 – Mail Services, Feb. 2019, slide 35; USPS Consumer and Commercial Brand Health Tracker Q1'18 – Mail Services, slide 38; USPS Consumer and Commercial Brand Health Tracker Q4'17 – Mail Services, slide 37.

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f. The full list of the surveyed drivers of satisfaction in the Q1 2021 BHT of

Attachment 1:

- 1) Is reliable
- 2) Consistently delivers the mail when expected
- 3) Keeps my mail safe
- 4) Provides fast mail delivery
- 5) Delivers mail to the correct address
- 6) Offers mail products and services that are relevant to my needs
- 7) Has friendly employees who deliver the mail
- 8) Represents an organization that does social good
- 9) Is changing and improving
- 10) Is innovative
- 11) Has friendly employees that work the counters in the post office
- 12) Has clean/organized office facilities
- 13) Has information/resources available in both English and Spanish
- 14) Is a trusted source for sending/receiving mail

Source: USPS Consumer and Commercial Brand Health Tracker Q1'21 – Mail Services, Feb. 2021, slide 56.

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**Question 17.** Please refer to USPS-T-4 at 19, where you state “the proposed changes may improve customer satisfaction....” Please provide any quantitative or qualitative studies that may have contributed to this conclusion beyond the appendixes provided as part of the testimony.

**RESPONSE:**

Beyond the materials cited or provided in connection with my testimony, no other studies contributed to the conclusion that “the[se] proposed changes may improve customer satisfaction . . . .”

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**Question 18.** Please refer to USPS-T-4 at 20, where you reference a USPS OIG survey conducted in 2019 that demonstrated 71 percent of respondents expected their sent mail to arrive in 7 days. Are you aware of any intervening research, from any source, that may indicate different customer expectations since the 2019 survey?

**RESPONSE:**

Not to my knowledge; however, I find it notable that the February 25, 2021 Office of Inspector General Audit Report entitled "Peak Season Air Transportation" referenced and cited its 2019 survey.



## RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MONTEITH TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

**Question 19.** Please refer to USPS-T-4 at 23, where you discuss soliciting input from election mailers. Please describe the Postal Service's specific communication plan and outreach with regard to election mail with regard to the proposed changes.

### RESPONSE:

The Postal Service is proud of its role in the electoral process. Our task, as the Postal Service, is to ensure that we provide secure and timely delivery of the ballots that are entrusted to us for mailing, as well as to ensure that both elections officials and individual voters who choose to utilize the mail understand how to do so effectively.<sup>1</sup> To that end, we have developed and fostered close working relationships with state and local election officials. We regularly communicate with national election associations, federal organizations, state election executives, and local election officials to inform them of any changes and garner their feedback, comments, suggestions, and concerns.

This structure has served all stakeholders well. As announcements are made and changes occur, we work with election officials to ensure they are aware of the changes, understand the changes, and prepared for any elections. We have been and will continue to rely upon this structure for the proposed service standard changes to ensure election officials are prepared for any remaining statewide November 2021 elections, 2022 midterm elections, and future elections.

In addition to our regular communications, the Postal Service has had two briefings with election officials since the release of the "Delivering for America" Plan. We briefed the leadership of the National Association of Secretaries of State ("NASS") and the National Association of State Election Directors ("NASED"). The

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<sup>1</sup> USPS Post-Election Analysis, *Delivering the Nation's Election Mail in an Extraordinary Year*, Jan. 19, 2021 ([https://about.usps.com/newsroom/national-releases/2021/usps\\_postelectionanalysis\\_1-12-21\\_georgia.pdf](https://about.usps.com/newsroom/national-releases/2021/usps_postelectionanalysis_1-12-21_georgia.pdf)).

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other briefing was with the Secretaries of State and the State Election Directors. At both briefings, the proposed service standards changes were discussed, and feedback on the proposal was received.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MONTEITH TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 3**

**Question 23.** Please refer to USPS-T-4 at 19, where you state “the proposed changes may improve customer satisfaction... .” Please provide any quantitative or qualitative studies that may have contributed to this conclusion beyond the appendixes provided as part of the testimony.

**RESPONSE:**

Please see our Response to POIR No. 2, Question 17 (filed on May 21, 2021).

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PRESIDING OFFICER'S INFORMATION REQUEST NO. 3**

**Question 24.** In USPS-T-4, witness Monteith states, “[t]he lower sensitivity of Presort mail to changes in Delivery Time is an important finding. It suggests that the estimated impact to [First-Class Mail] is unlikely to be significant given that Presort Letters account for 65 percent of overall [First-Class Mail] volume and Single-Piece Letters is 28 percent.” Id. at 15. Please also refer to Response to POIR No. 1, question 28.

- a. For the First-Class Mail subject to the proposed service standards, please provide a percentage composition breakdown by mail type. Please include in your response the percentages of the affected mail volumes which are expected to be Presort First-Class Mail and Single-Piece First-Class Mail and sources for these calculations. If you are unable to provide these percentages, please explain.
- b. Please provide the sources for the percentages provided in Response to POIR No. 1, questions 28.a and 28.b.

**RESPONSE:**

- a. 22 percent of Single-Piece Letters & Cards will be impacted by the changes in service standards.

25 percent of Single-Piece Flats will be impacted by the changes in service standards.

47 percent of Presort Letters & Cards will be impacted by the changes in service standards.

49 percent of Presort Flats will be impacted by the changes in service standards.

The source for the percentages provided above and underlying calculations is Library Reference LR-USPS-N2021-1-20, “First-Class Mail Pieces Impacted by Product Type.”

- b. The source for the percentages provided in response to POIR No. 1, Question 28 a, b is Library Reference LR-USPS-N2021-1-20, “First-Class Mail Pieces Impacted by Product Type.”

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**Question 27.** Please refer to Library Reference USPS-LR-N2021-1/10, file "06-USPS BHT Q1'19 Mail-PUBLIC.pdf," Slide 35. This slide states, "Uppercase letters denote significant differences at the 95% confidence interval."

- a. Please confirm that in the Q1'19 survey 53% of survey respondents (N=1072) agreed with the statement that the USPS mail service provides fast mail delivery. If not confirmed, please provide an interpretation of the 53% figure.
- b. Please confirm that in the Q1'18 survey 65% of survey respondents (N=1292) agreed with the statement that the USPS mail service is reliable. If not confirmed, please provide an interpretation of the 65% figure.
- c. Please confirm that in the Q1'19 survey 58% of survey respondents (N=1072) agreed with the statement that the USPS mail service is reliable. If not confirmed, please provide an interpretation of the 58% figure.
- d. Please explain the statistical interpretation of the uppercase "C" (and in other cases "A") which appears next to the 65% figure referenced above. In your response, please confirm whether the following is the correct interpretation: 58% of respondents in Q1'19 agreed with the statement that the USPS mail service is reliable; this is statistically different from 65% who agreed with this statement in Q1'18. If not confirmed, please elaborate on the meaning of "significant differences in the 95% confidence level" and provide the correct interpretation.
- e. Please provide a public interpretation relating the Q1'19 Key Driver Index Score of 160 for "Is reliable" and 159 for "Provides fast mail delivery."

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Confirmed.
- e. Survey respondents each quarter are asked about their overall satisfaction with mail services and then are asked about their agreement with a series of attributes including "is reliable" and "provides fast mail delivery." A full year's data is used with the series of attributes to understand which attributes are most predictive of overall satisfaction. Attributes are ranked using an index score to show which of the attributes are most predictive of overall satisfaction.  
  
Essentially, if USPS could independently improve perceptions on the attribute

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with the largest Key Driver Index Score it would be more likely to improve satisfaction than independently improving lower ranked scores.

In the model run in Q1'19 over a full year's worth of data, "is reliable" and "provides fast mail delivery" were the top two drivers of overall satisfaction out of all the drivers tested. The Q1'19 Key Driver Index Score of 160 for "[i]s reliable" and 159 for "[p]rovides fast mail delivery," indicates that "is reliable" was incrementally more predictive of overall satisfaction relative to "[p]rovides fast mail delivery" based on the prior year's data.

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**Question 28.** Please see Library Reference USPS-LR-N2021-1/9, Excel file "18 Percent Input.xlsx," tab "FCM Delivery Day Change Calc," cell H10. In USPS-T-4, witness Monteith states, "[t]o develop the projections, Thress evaluated the impact to [First-Class Mail] volume if Delivery Time increased by 18 percent as a result of the proposed service standard changes." Id. at 15. Please also refer to USPS-T-4 stating, "[t]o develop the projections, Thress evaluated the impact to Periodicals if Delivery Time increased by 18 percent as a result of the proposed service standard changes and holding price and costs constant." Id. at 17. Lastly, please refer to USPS-T-5, in which witness Thress states, "[t]he Postal Service estimates that the proposed changes to service standards could increase average delivery time by as much as 18 percent within the affected delivery networks." USPS-T-5 at 36.

- a. Please confirm if Witness Thress used an input for change in Delivery Time of 18.74% as calculated in USPS-LR-N2021-1-9 and not 18.00% as indicated by USPS-T-4 and USPS-T-5.
- b. If not confirmed, please discuss why the more accurate 18.74% figure was not used for the contribution calculations.
- c. Please explain the reason the Postal Service estimates the proposed changes could increase delivery times by "as much as 18 percent," given the underlying calculations show increase in delivery times by more than 18 percent.

**RESPONSE:**

- a. Not confirmed.
- b. The 18.74 percent (or, 19 percent) would be more accurate for the contribution calculations. This was in error. The Postal Service will file errata in the near future with corrections to the witnesses Monteith and Thress testimonies and also make a correction to witness Monteith testimony relating to the response to POIR No. 1, Question 33(a) (filed on May 17, 2021).
- c. Please see our response to subpart (b). Below, we provided the impact to contribution, revenue, and volume if Delivery Time increased by 19 percent for First-Class Mail and Periodicals as a result of the proposed service standard changes. Also, please see Library Reference LR-N2021-1-21, "19 Percent Input."

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**Estimated Financial Impact of the Proposed Service-Standard Changes**

	<b>19 Percent Input</b>	<b>18 Percent Input</b>
<b>FCM Contribution</b>	-\$110.9 million	-\$105.6 million
<b>Periodicals Contribution</b>	\$0.8 million	\$0.8 million
<b>Net Impact</b>	-\$110.1 million	-\$104.8 million

**Estimated Impact of Proposed Service-Standard Changes – Overall**

	<b>Contribution Impact</b>	<b>Volume Impact</b>	<b>Revenue Impact</b>
<b>19 percent input</b>	-\$110.1 million	-527.4 million	-254.7 million
<b>18 percent input</b>	-\$104.8 million	-502.0 million	-\$242.5 million

**Estimated Impact of Proposed Service-Standard Changes – First-Class Mail**

	<b>Contribution Impact</b>	<b>Volume Impact</b>	<b>Revenue Impact</b>
<b>19 percent input</b>	-\$110.9 million	-523.1 million	-\$253.6 million
<b>18 percent input</b>	-\$105.6 million	-497.9 million	-\$241.4 million

**Estimated Impact of Proposed Service-Standard Changes – Periodicals**

	<b>Contribution Impact</b>	<b>Volume Impact</b>	<b>Revenue Impact</b>
<b>19 percent input</b>	0.8 million	-4.3 million	-\$1.2 million
<b>18 percent input</b>	0.8 million	-4.0 million	-\$1.1 million



## **RESPONSES OF USPS WITNESS MONTEITH TO INTERROGATORIES OF PUBLIC REPRESENTATIVE**

**PR/USPS-T4-1.** Please explain how the Postal Service intends to address the public perception that the proposed change will “slow down” the mail.

### **RESPONSE:**

The Postal Service has been and will continue to address the public perception that the proposed changes will “slow down” the mail by increasing awareness as to the proposal’s rationale and value proposition, and the degree by which mail volume will be impacted.

The Postal Service is proposing these changes because we have not met our First-Class Mail service performance targets in eight years due to lack of operational precision and unattainable service standards. By adjusting First-Class Mail service standards by one or two days for certain mail, we can obtain greater operational precision by moving First-Class Mail from air transportation, which is costly and less reliable, to ground transportation. These adjustments will improve reliability and predictability of service for customers, while reducing expenses. Hence, these adjustments will improve the value of mail for all customers.

Most First-Class Mail (61 percent) and Periodicals (93 percent) will be unaffected. First-Class Mail traveling within a local area will continue to be delivered in two days, and most First-Class Mail (70 percent) will continue to be delivered within three days.

The Postal Service has leveraged our extensive set of communication tools to deliver these messages. That is, through our extensive workforce, Postal Customer Councils, Mailer’s Technical Advisory Committee, and online platform,

**RESPONSES OF USPS WITNESS MONTEITH TO INTERROGATORIES OF  
PUBLIC REPRESENTATIVE**

we have and will continue to educate the public about how the proposal will provide a reliable, value-driven service, six days a week with 95 percent of all mail delivered on-time, at all times of the year.

**RESPONSES OF USPS WITNESS MONTEITH TO INTERROGATORIES OF  
PUBLIC REPRESENTATIVE (REVISED MAY 27, 2021)**

**PR/USPS-T4-3.** Please refer to pages 19-20, lines 18-20 and 1-5, of witness Monteith's testimony. Witness Monteith states that the proposed changes "are unlikely to materially impact the third top driver of customer satisfaction: fast delivery." Witness Monteith's testimony cites a survey included in a United States Postal Service Office of the Inspector General report, which found that 71 percent of respondents expected their sent to mail to arrive in seven days. Witness Monteith finds that this survey "suggests that some customers may not be impacted by the service standard changes as they have already expected longer delivery times than our current service standards."

- a. Please describe any corroborating analysis or information that the Postal Service has reviewed suggesting that mailers believe the current service standard is seven days.
- b. Please confirm that the Postal Service views the survey as a reliable indicator of consumer expectations regarding First-Class Mail delivery time. If confirmed, please explain any steps the Postal Service has taken to improve communication with mailers regarding the service and value being provided under current service standards.

**RESPONSE:**

- a. I am not aware of any analysis or information corroborating the 2019 USPS OIG survey's finding that "71 percent of respondents expected their sent mail to arrive in seven days."
- b. Confirmed. The Postal Service is always exploring different strategies and processes and soliciting feedback to improve communications with mailers. Specifically, the Postal Service holds twice weekly meetings with Industry in which service and value being provided under current service standards is discussed. Additionally, the Postal Service discusses service and value at the Quarterly Mailers Technical Advisory Committee meetings, the Areas Inspiring Mail meetings, and often covers service and value at the various 142 Postal Customer Council meetings.